

CURRENT HISTORY

A Journal of Contemporary World Affairs



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CURRENT HISTORY

FOUNDED IN 1914

SEPTEMBER 1995

VOL. 94, NO. 593

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EDITOR'S NOTE:

For Sino-American relations, it was a long, cold summer. There was no single source for the frigid blast that iced over relations between the United States and China, leaving, as David Shambaugh shows in his analysis, wide opportunity for finger pointing in (and inside) Washington and Beijing.

The iciness in relations contrasted with the feverish—for Chinese politics—maneuvering among the political elite as they prepare for Deng's meeting with Mao. Joseph Fewsmith interprets the meaning of the rash of suicides, dismissals, and petitions and offers his prognosis for the emerging political lineup.

Merle Goldman also casts an eye on the future, looking at the prospects for democracy. The remainder of our issue examines a series of issues that will have, cumulatively, a strong impact on the future shape of the Chinese state: popular opposition to the world's largest dam project; the economic entanglement of the People's Republic, Hong Kong, and Taiwan; the rush of foreign investment into the mainland; whether China has the resources to feed its still growing population; and the emergence of real wages and real opportunities for Chinese workers.

COMMENTS ON THIS MONTH'S ISSUE?

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Printed in the United States

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The United States and China: A New Cold War?

BY DAVID SHAMBAUGH

On June 7, 1995, Taiwanese President Lee Teng-hui set foot on United States soil and precipitated the most serious crisis in Sino-American relations since the 1989 Tiananmen massacre. For Beijing it was an intolerable event; for the United States it was an inevitable one.

The *People's Daily* accused the United States of "playing with fire" and "plunging relations into the danger zone." The State Department responded that its "one China policy" remained unchanged and there was no need for such a stern reaction to Lee's "strictly private" visit to accept an honorary doctorate at Cornell University (where he had received his Ph.D. 25 years ago). In Beijing the government lodged a "strong protest" with American Ambassador Stapleton Roy; he was warned that "severe damage" to relations between the two countries had been done, and that the United States action had been a blow to "the feelings of 1.2 billion Chinese people."

Beijing's verbal frenzy was matched by its retaliatory actions. A visiting Chinese air force delegation was immediately recalled, and a pending visit by Defense Minister Chi Haotian canceled. Bilateral consultations on the Missile Technology Control Regime (MTCR), the proliferation of fissile nuclear materials, and peaceful nuclear cooperation were postponed. Washington was informed that a scheduled visit by John Holum, director of the United States Arms Control and Disarma-

ment Agency, was "inconvenient." Then, on June 16, Beijing recalled its ambassador to the United States, Li Daoyu, for indefinite "consultations," and postponed a high-level July meeting with Taiwan officials.

This was Beijing's official retaliation while it waited for the United States to "take effective actions to completely remove the deleterious effects of Lee Teng-hui's visit and return to the right course of the three Sino-U.S. joint communiqués." Unofficially, China made its displeasure known in a manner calculated to irritate American sensitivities in a number of areas.

First, it allowed six factories that pirate compact disks to reopen. Rampant Chinese pirating of CDs, computer software, videotapes, books, and commercial logos were estimated by United States Special Trade Representative Mickey Kantor to cost United States manufacturers \$1 billion annually before the Intellectual Property Rights agreement was reached this February—under the threat of 100 percent tariffs and a trade war.

Second, Chinese security services rounded up dozens of dissidents on the eve of the sixth anniversary of the Tiananmen massacre, and continued to hold many others incommunicado or under house arrest (the whereabouts and condition of noted democracy campaigner Wei Jingshen have not been disclosed since he was detained more than a year ago). Beijing also held American-naturalized citizen Harry Wu after detaining him at a remote border crossing. Wu, who was imprisoned for 19 years in China's vast network of labor camps, has made a crusade of exposing China's gulag—especially its prison labor and trade in organs of executed prisoners. Wu had entered China on an

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American passport with a valid visa, no doubt to continue his investigations and filming of these transgressions. Wu awaits trial for espionage; in the meantime, China has not responded to United States appeals for his immediate release.

Third, Beijing successfully test-fired a mobile intercontinental ballistic missile capable of delivering nuclear weapons to American soil. The Dongfeng (East Wind)-31 has a range of 8,000 kilometers (5,000 miles); with its solid fuel boosters and ability to carry up to 12 warheads, it substantially augments China's nuclear arsenal. China's accelerated campaign of nuclear testing since 1993—in violation of a voluntary international moratorium—has been a source of considerable consternation to China's neighbors and the United States. Relatedly, in July China took the unprecedented step of test-firing 6 M-9 medium-range ballistic missiles, which impacted just 90 miles north of Taiwan. The People's Liberation Army's modernization and recent double-digit budget increases have also become sources of concern. Its assertive acts in the South China Sea, while predating the Lee visit, disturb the United States and its Asian allies.

Fourth, in the wake of the Lee visit, United States intelligence discovered "incontrovertible proof" that China had delivered "more than 30" assembled M-11 medium-range ballistic missiles to Pakistan, and had supplied Iran with unspecified sensitive missile technologies (probably also for the M-11 or for North Korean Scuds). Such exports are banned under the MTCR and are required by United States law to trigger retaliatory sanctions if the violation is proved.

Beijing's belligerence began to show even in areas where the two nations quietly cooperate, such as narcotics trafficking. Assistant Secretary of State Robert Gelbard publicly accused Chinese authorities of recently withholding counternarcotics intelligence and permitting heroin transshipments through its territory.

From Beijing's standpoint, as the United States had breached its greatest sensitivity—Taiwan—the retaliation was justified. There is little doubt that allowing Lee Teng-hui into the United States was an affront to Beijing and a violation of the spirit—but not the letter—of the 1979 normalization accords, the Taiwan Relations Act, and subsequent joint agreements concerning relations with Taiwan. These agreements specify that "unofficial relations" shall be maintained with "the authorities on Taiwan." In this light, Lee's unofficial, private visit is consistent with United States law under the Taiwan Relations Act, although it was certainly a major departure from 16 years of official policy (in the wake of Lee's June visit it was revealed that as vice president he had visited secretly in 1985 and delivered a lecture at West Point).

Under the Clinton administration, relations with Taiwan had been slightly upgraded following a comprehensive policy review: the name of Taiwan's unofficial

embassy in the United States was changed to provide clearer identification; Cabinet-level visits were permitted; and official meetings could take place inside government buildings. But even the Clinton administration did not envision visits above the Cabinet level; in 1994 the State Department had prevented President Lee from disembarking from his plane during a refueling stop in Honolulu, and had allowed Prime Minister Lien Chan only a brief stopover en route to Latin America.

A CONGRESSIONAL CHINA POLICY

Congress took the position that the administration's marginal improvements in Taiwan's status had not gone far enough. Legislators had believed for some time that Taiwan deserved better treatment from the United States—a belief that grew stronger with the arrival in January 1995 of a Republican majority in both houses. Many believed that China specialists in the State Department and successive administrations had kowtowed to Beijing for too long; they had wrongly accepted Beijing's definition of Taiwan as a renegade province, had turned their backs on an old and trusted friend, and had ignored Taiwan's remarkable transition to a bona fide democracy.

Some in Congress are not only pro-Taiwan, they are also anti-China. Senate Foreign Relations Committee Chairman Jesse Helms makes no secret of his disdain for Beijing—which he still refers to as "Communist China" or "Red China." To underscore his sympathies, Taiwan's representative to the United States was the first foreign dignitary Helms received after taking this key committee chairmanship. Four other Republicans, Senators Frank Murkowski of Alaska and Alfonse D'Amato of New York, Representative Frank Wolf of Virginia, and House of Representatives Committee on International Relations Chairman Benjamin Gilman of New York, are also outspoken critics of Beijing's transgressions. In the debate over the 1995 China Policy Act, Congressional members took turns bashing China: "I despise the Chinese government as much as anyone in this body!" proclaimed Representative Wolf to his colleagues in the House.

Many in Congress advocate enhancing Taiwan's place in United States diplomacy. Even House Speaker Newt Gingrich (R-Ga.) has publicly called for the admission of "The Republic of China on Taiwan" to the United Nations and diplomatic recognition by the United States. Gingrich subsequently backpedaled after creating a diplomatic furor, but his preferences had been made known. In March the Senate Foreign Relations Committee unanimously approved a resolution declaring that Taiwan deserves a seat in the UN. Gilman's committee has amended the Taiwan Relations Act to strengthen the United States commitment to supply Taiwan with adequate defensive weapons, and the committee has endorsed legislation declaring Tibet a sovereign and occupied country.

Against this backdrop Congress overwhelmingly endorsed resolutions in May calling on the Clinton administration to permit Lee Teng-hui to visit the United States (the House vote was a unanimous 396 to 0, while the Senate voted 97 to 1). The votes put President Bill Clinton in a difficult position: Secretary of State Warren Christopher and Assistant Secretary for East Asian and Pacific Affairs Winston Lord had already assured China, as well as other allies, that “under no conditions” would Lee Teng-hui be permitted to visit the United States. But the vote in Congress was too overwhelming for Clinton to ignore—especially with an election year looming. After a closed-door meeting with Senators Charles Robb, Sam Nunn, and other congressmen, the president overruled the State Department.

The Taiwan issue is by no means the only area where Congress believes the administration has been too soft on China. Single-issue lobbyists dominate Congressional concerns about Beijing, and their collective impact has been to call for a comprehensive toughening of China policy. Anti-abortion activists have seized on Beijing’s coercive birth control policy, which includes forced sterilization and late-term abortions of female fetuses. The practice of female infanticide (not a Chinese government policy) is also a concern. Human rights activists criticize China’s harassment and imprisonment of dissidents, the prison camp system, the number of executions carried out every year (approximately 5,000 in 1994), the illicit trade in the organs of those executed, restrictions on freedom of speech and assembly, religious restrictions, and the persecution of Tibetan monks.

International relations and national security specialists point with alarm to China’s rapidly rising defense budget and military modernization program, the improvements in its nuclear forces, the acquisition of advanced aircraft and submarines from Russia, the military exercises carried out near Taiwan, and the assertive policy in the South China Sea. Nuclear proliferation and arms control advocates are concerned about Beijing’s nuclear assistance programs (especially to Iran and other Islamic states), and the export of ballistic and other short-range missile systems. Free traders criticize China’s trading practices—including intellectual property right infringement, a \$29.5 billion trade deficit with the United States in 1994, restricted market access in China, dumping of

Chinese goods on American markets, opaque Chinese investment and trade regulations, Chinese government fiat in awarding contracts to nations that toe Beijing’s line on Taiwan, and the high cost of doing business in China.

Taken together these individual issues have had a cumulative impact on Congressional views of American interests and the People’s Republic. Many of Congress’ concerns were subsumed in the 1995 China Policy Act, which passed both houses on July 20. The act was promptly denounced by the Chinese government spokesman as “gross interference in China’s internal affairs, against which the Chinese side expresses strong resentment and firm opposition and has made solemn representations to the U.S. side.”

There is a growing perception in Congress that Chinese behavior across a wide range of issues is inimical to American national interests. There are also those in the executive branch who share this perception. The

operative question is: how does the United States pursue these concerns and positively affect Chinese behavior?

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THREE STRATEGIES, ONE GOAL

Three broad viewpoints have emerged on how the United States should deal with China. They can be described as the schools of *engagement*, *confrontation*, and *destabilization*.¹

The majority of policy makers in the Department of State, Department of Defense, the National Security Council, and the White House, along with most China specialists, favor a strategy of “comprehensive engagement.” They do not seek confrontation with China, but rather want to isolate and deal separately with the multiple issues and components on the United States-China agenda instead of creating “linkage” across issue areas that would penalize or reward China in one area for behavior in another. This school takes its cues from the Bush administration’s “open door” policy, whereby the United States sought to influence change in China by maintaining a presence in the country. Proponents of this view claim that a “closed door” neocontainment policy would not only dangerously isolate China, but would also reduce any American leverage. This camp argues that pressuring China could cause the collapse of the regime and China’s breakup—which, they note, would have disastrous consequences for the United States and Asia. They believe that it is better to promote relations with a difficult and unsavory regime than to contribute to the disruption of 1.2 billion people. It is argued that comprehensive engagement is the only way to integrate China peacefully and constructively into the world order.

¹This categorization and description draws on, but also varies with, that expressed by Robert Sutter in *China in World Affairs: U.S. Policy Choices* (Washington, D.C.: Congressional Research Service, January 1995), pp. 16-18.

A second group sees China in more adversarial terms and argues for a tougher stance across a range of issues. The confrontationists have real reservations about comprehensive engagement; they doubt China will ever conform to United States desires or international norms and standards. They see Chinese leaders as hostile toward the United States, and Chinese officials as unreconstructed realists with a state-centered approach to world affairs. This group fears the emergence of an authoritarian, assertively nationalistic superpower that, once strong, will be in a position to dominate Asia and dictate terms to others. Accordingly, the United States should not try to assist in China's modernization, but should instead pursue a subtle containment policy while pressuring China on issues important to Washington and American interests. Proponents of this perspective can be found throughout Congress, but also in the Pentagon, in private research institutions, and among some prominent academic China specialists.²

The third school favors an assertive policy to destabilize Chinese Communist Party rule. They are a definite minority, but believe that until the political system in China is changed, Beijing's leaders will be inherently incapable of long-term positive and cooperative ties with the United States. United States policy should thus focus on fostering political change in China while maintaining a vigilant posture in dealing with disruptive Chinese behavior abroad. Like the confrontationists, the destabilizers are also found in Congress and outside government.

The thread that runs through all three approaches is the desire to change Chinese behavior. But China has proven truculent and resistant. "The truth is that none of us know what to do to get China to change," admitted House minority leader Richard Gephardt (D-Mo.) on July 20, 1995.

THE VIEW(S) FROM BEIJING

It is difficult to see a range of perspectives in the Chinese government on future relations with the United States. Clearly there is a consensus that Beijing should never acquiesce to terms dictated by Washington. The "just say no" school in Japan also has its adherents in China.

Unlike the 1980s, it is not possible to identify a pro-United States faction in the Chinese leadership today. It is not politically correct to be pro-American in Bei-

jing these days; moreover, Lee's visit to the United States seems to have sealed any debate about American intentions toward China.

Before the visit, two strands of opinion—the "cooperative" and the "oppositionist" schools—could be identified in Beijing. The former clustered around Foreign Minister Qian Qichen and the Foreign Ministry. President and Communist Party General Secretary Jiang Zemin was also in this camp, although Jiang was vulnerable to the oppositionists. The cooperative school will work with the United States when it is in China's interests to do so; it does not want a rupture with Washington, and essentially agrees with the policy of "non-linkage," which is key to America's "constructive engagement" policy. Their view is "to reserve differences and seek common ground" while standing steadfast against what they perceive to be "hegemonist" behavior.

The oppositionists are adamantly opposed to the United States on a range of issues. They perceive the United States in largely ideological terms; it is seen as a distinct threat to Communist Party rule, national security, and the very existence of the People's Republic itself. The oppositionists will "brook no interference in China's internal affairs" and advocate a tough policy on Taiwan, trade, dissent, and a vigorous rebuttal of the "China threat." Not surprisingly, this group is a coalition of conservative party apparatchiks and ideologues, along with key elements of the People's Liberation Army.

Lee's trip to the United States decisively shifted the balance of opinion in Beijing in favor of the oppositionists. The prevailing view is that the United States is pursuing a hostile policy comprised of four interrelated components.

First, it is believed that the United States is trying to contain China strategically. Second, it is believed that the United States seeks to frustrate China's emergence as a world economic power. Third, it is thought that the United States wants to permanently divide Taiwan from China, and is fueling pro-independence sentiments on the island. Fourth, Beijing sees evidence of a concerted policy to destabilize and undermine the regime and Communist Party rule in China, with the intent of bringing about the collapse of the People's Republic itself. Having disposed of the Soviet Union and other former Communist party-states, Beijing believes that America's cold warriors now have their sights on consigning Communist China to the proverbial dustbin of history.

China's policy toward the United States is also being driven by a combination of rising nationalism and the political fluidity resulting from the jockeying for power as the post-Deng era approaches. The succession

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²However, it should be noted that Secretary Perry and other senior Pentagon officials are among the most ardent advocates of comprehensive engagement and building peaceful ties with the Chinese military.

means China is less able to take initiatives toward the United States at a time of political indeterminacy; it also means that “loyalty” tests are being played out to see who can best demonstrate his post-Deng political credentials by being “tough” and standing up to the United States.

The military has taken the lead in promoting the assertive nationalism and uncompromising atmosphere in Beijing today. It has found ready allies in the party, the foreign trade apparatus and other elements of the State Council, and certain parts of the Foreign Ministry. Even ordinary intellectuals are growing intolerant of what they see as American “bullying” and hegemonic behavior. Thus archconservatives are ascendant in Beijing—as well as in Washington.

THE DOWNWARD SPIRAL

Relations between the United States and China have been notable for their fluctuations, ambivalent mutual images, and inability to find a constructive and cooperative equilibrium. Bilateral relations and mutual images either have been frozen in cold war conflict or have swung markedly from embrace to acrimony and back again, time after time. They have followed a cyclical pattern of embrace-disenchantment-fallout-revival (there have been approximately 10 such cycles in this century). Pessimists point out that United States-China relations are prone to disenchantment and conflict, while optimists note that they have historically revived from the depths of acrimony.

At present the United States and China are in another phase of deterioration. Optimists would say that an equilibrium has been found—not at the amicable or hostile end of the continuum, but in the middle, where elements of cooperation mix with elements of competition and conflict. Realists note that there are not many elements of cooperation, and that conflicts predominate. Pessimists point out that there is little common ground on which to forge a relationship; only the mutual desire for a stable China and peace in Asia are shared. Otherwise, diverging national interests, different political systems, conflicts over important policy issues, and mutual distrust prevail in Sino-American relations at present.

Rescuing the relationship from becoming a self-fulfilling adversarial prophecy will require no small degree of leadership, vision, and political guile on both sides. In a period of political indeterminacy and weakened governments in both countries, such statesmanship does not appear to be forthcoming. It will have to wait until the dust settles from the Chinese succession struggle and the 1996 American presidential elections. However, by that time it may be too late, and the perceptual die of viewing each other as adversaries may already have been cast.

Arresting the downward spiral will be difficult, but it is achievable (reversing it is another story). Relations

reached a low point following the 1989 Tiananmen massacre, and remained in the doldrums until 1994, when President Clinton extended China's most favored nation trade status and decoupled it from human rights criteria. At the same time, his administration took the new tack (actually the old Bush administration policy) of “comprehensive engagement.” The Sino-American relationship then pulled out of the doldrums, and cooperative interaction was reinitiated. As part of this new strategy, several Cabinet secretaries visited China. The trips by Secretary of Commerce Ron Brown and Secretary of Energy Hazel O'Leary netted approximately \$5 billion each in contracts for American firms, and Secretary of Defense William Perry's visit restarted the dormant relationship between the militaries of the two countries.

It may be, however, that China and the United States are destined for a prolonged period of acrimony and confrontation. Assistant Secretary of State Lord publicly warned in June that “the United States hoped to improve its relations with China, but the possibility of the two countries becoming long-term adversaries could not be ruled out, and the United States might have to turn, with other Western countries, to a policy of containment.”

Mutual suspicions run deep, and the objective differences and policy conflicts are real; they cannot be wished away. No pressing mutual security threat (such as the former Soviet Union) exists that would allow bilateral problems to be swept under the rug in deference to larger interests. Some of the differences are negotiable, but others are systemic and intractable. Moreover, China's rise as an economic and military power comes at a time when the United States is the sole remaining superpower in an international system that is in great flux. Historically, it has always been difficult to integrate a rising power into the established international system and balance of power; in this case China's rise represents a major challenge to the United States and Japan in particular. But a United States-led policy of trying to contain China would be both misguided and unsuccessful; it would certainly not find support among America's Asian and European allies and partners. Without such support, a containment policy would be stillborn.

MANAGING THE UNMANAGEABLE?

Future Sino-American relations will be conditioned by a variety of factors, many beyond the control of either government. Two elements, however, will remain present.

First, domestic politics in each country will continue to have a profound—even defining—impact on relations. This is normal and natural, especially in the democratic United States. But even China has its interest groups and domestic pressures. The relationship of the 1970s and 1980s was unnatural, as the two coun-

tries forged a strategic relationship while subsuming other contentious matters. Domestic pressures on diplomacy is a fact of life with which both sides will have to live. Archconservatives have come to power and are wielding great influence, fueling nationalistic and assertive impulses in both countries. Moreover, there are some in the United States who are looking for a new threat to replace the Soviet Union. While misplaced, China provides a convenient target.

Second, the mutual perception that the other country challenges core national interests will remain indefinitely. For China, the *raison d'être* of its foreign policy is anti-hegemony, anti-"big power politics," anti-bullying, anti-pressure tactics and sanctions, anti-alliances, anti-intervention, anti-spheres of influence—in effect, the antithesis of what the superpower United States engages in. This foreign policy "code of conduct" is deeply imbedded in the Chinese mindset, and grows directly out of modern Chinese history and the "century of shame and humiliation." China will not be satisfied until it has achieved great power status and the United States ceases to act as an imperial superpower.

For their part, many in the United States see China as a rising power that may challenge basic American commercial and national security interests. China also increasingly appears to be a non-status quo power, with aspirations to challenge international norms. Washington sees Chinese cooperation on a range of bilateral and international issues to be marginal at best; nonconformity as the norm, abstentions on key UN Security Council resolutions common, and outright opposition an occasional occurrence.

In some places interests do overlap, but a deeper struggle of worldviews between the two is at work. The negotiating tactics used in the recent intellectual property rights negotiations reflected this systemic struggle. Washington believed that only pressure and the threat of sanctions would bring China to heel. Yet Beijing acquiesced to Washington's demands only because it was seen to be in China's own best interests after it became clear that the European Union and other nations supported the American position, and that

admission to the new World Trade Organization (which China so covets) would be out of the question without adherence to international standards on protection of international copyrights.

This context underlies the specific agenda of issues between Washington and Beijing. Each is deeply suspicious of the other's motives, making it difficult to find common ground and agreement. These are two large and proud nations with opposing political and social systems, deeply different values, and vastly divergent historical heritages. Neither understands the other very well, hence, misperceptions prevail.³

In both capitals a lack of high-level attention to, and monitoring of, the relationship is apparent. The two governments deal with issues as they crop up and without overall management of the relationship. Only when a crisis erupts do issues receive Cabinet or Politburo attention. Thus, the relationship tends to become reactive, hostage to domestic pressures and prone to bureaucratic wrangling and sabotage; the parts overwhelm the whole.

There is also the factor that the United States has an agenda of inducing change in China. Unlike Japan and the member states of the European Union, who seem content to interact with China on a normal state-to-state basis for mutual benefit (and profit), the United States has long sought to change China socially, politically, and economically. This is by no means unique to the post-Tiananmen period or since the Communists came to power; it reaches back to the late Qing dynasty and

Republican era (1911-1949).⁴ Recall the famous statement by Senator Kenneth Wherry during the 1940s, "We shall lift Shanghai up, up, forever up until it is just like Kansas City!"

This "missionary impulse" in American thinking about and approach to China is very much alive today, especially so given the Republican Party's proclivities. During the post-Tiananmen debates on China policy in the United States—which were subsumed under the annual most favored nation tussle—the debate was really over means rather than ends, and centered on the question: how best to induce change in Chinese government behavior?

Two basic strategies emerged: the open and closed door approaches. The former, practiced during the Bush administration, argued that only through a presence in China could the United States influence change. The latter (espoused by many in Congress) argued that external pressure and sanctions should be used to isolate China internationally and the regime

A United States-led policy of trying to contain China would be both misguided and unsuccessful; it would certainly not find support among America's Asian and European allies and partners. Without such support, a containment policy would be stillborn.

³See David Shambaugh, *Beautiful Imperialist* (Princeton: Princeton University Press, 1991); and David Shambaugh, ed., *American Studies of Contemporary China* (Armonk, N.Y.: M. E. Sharpe, 1994).

⁴See Richard Madsen, *China and the American Dream: A Moral Inquiry* (Berkeley: University of California Press, 1995).

domestically. Both, however, shared the goal of inducing change in China.

The Clinton administration came to office with this missionary impulse. In his confirmation hearings, Secretary of State Christopher bluntly stated that American policy should be to “peacefully evolve China toward democracy.” The Chinese have long accused the United States of pursuing a policy of “peaceful evolution” (*heping yanbian*), and Christopher’s statement gave them a clear, official signal that they were right and had something to fear. National Security Adviser Anthony Lake added fuel to the fire when, in 1993, he enunciated the new doctrine of “enlargement,” which was to replace the doctrine of “containment” and guide American foreign policy in the post-cold war world. What was to be “enlarged”? The “world’s free community of market democracies.” Lake went on to list China, along with Iraq, Iran, Libya, and North Korea, as “backlash” states. He later took the People’s Republic off this list, but the image endured.

The systemic issues and differences run deep and go to the essence of the two political systems. Many in Congress disdain the Chinese Communist regime and system—which they see as internally repressive, antithetical to American values, unfair in its trading practices, and potentially threatening militarily to America’s national security interests in Asia.

Nor have memories of Tiananmen fully faded. Americans saw their values being massacred on the night of June 4, when those who had been quoting Washington, Jefferson, Paine, and had erected a replica of the Statue of Liberty were gunned down.

Although difficult to gauge comprehensively, polling by Potomac Associates (a Washington, D.C.-based firm specializing in American perceptions of Asia) indicated that in 1994, 37 percent of those polled viewed the People’s Republic of China as “unfriendly” or an “enemy.” This was down from 49 percent in 1991 and nearly 80 percent in the wake of the 1989 Tiananmen massacre. Interestingly, 53 percent of Americans viewed China as an “unfair” trading nation in 1994, up from 27 percent in 1989.⁵

For China the struggle is also systemic. The prob-

lems go to the heart of the Chinese revolution—namely, the restored national dignity of the nation after a century of “shame and humiliation” at the hands of the Western powers and Japan. China’s domestic and foreign policies are geared toward increasing its wealth and power (*fu qiang*), and all American actions are filtered through the perceptual prism of whether they enhance or hinder this quest.

There is not only a difference in values and the two political and social systems, but also one of the norms of interstate relations. The Chinese rightfully refuse to be dictated to as during imperial times. Sanctions, pressure, deadlines, coercion, threats, and other manifestations of what Chinese describe as “hegemonic” behavior cannot be tolerated by the Chinese side, especially when made public (and embarrass China in the eyes of its own citizens and the world).

Yet this is how superpowers sometimes behave. And there is a belief in the United States that China will only conform and cooperate when pressure is brought. The agreement on intellectual property rights only confirmed this perception.

THE ICY FUTURE

Where does the relationship between these two powers go from here? A mixture of some cooperation (where their interests coincide) and a lot of friction seems likely. This will be the case until China heads in a more politically liberal direction, or until the United States stops acting like the superpower that it is, withdraws into isolation, and stops trying to induce change in China. I give neither possibility a very great chance of occurring in the coming years.

Instead, the relationship will remain messy, complex, confrontational, and infused with a strong dose of nationalism and ideology. While not sought by either side, the United States and China may inadvertently be sliding into an adversarial relationship. To avoid a new cold war, the two sides must step back from the brink and realize their larger national interests. High-level statesmanship and leadership are required to arrest a downward spiral. An adversarial relationship between the United States and China would be profoundly damaging to each country, as well as to their ties with Asian and European partners.

The burden of stabilizing the relationship falls with both sides. Without stability there can be no cooperation. ■

⁵As cited in Harry Harding, *The Evolution of Greater China and What It Means For America* (New York: National Committee on U.S.–China Relations, China Policy Series, no. 10, December 1994), pp. 30–31.

“A SWEET AND SOUR RELATIONSHIP”

AN INTERVIEW WITH WINSTON LORD

UNITED STATES ASSISTANT SECRETARY OF STATE FOR EAST ASIAN AND PACIFIC AFFAIRS

What was the Clinton administration's overall policy toward China at the outset and how has it changed since January 1993?

From the very beginning, the administration has sought a constructive relationship with China. I'd say the most significant shifts took place in the fall of 1993 and the spring of 1994. In the fall of 1993 we entered what has been called “comprehensive engagement”: a conscious decision to engage the Chinese across a broad agenda of issues and at various levels, both work levels and high levels.

Now we were bound to run into some difficulties in what is inevitably a sweet and sour relationship—whether it's human rights, Taiwan, nonproliferation, or some trade problem. So it was important for both of us to construct an agenda that would include not only working on those issues, but positive areas of cooperation. And this is designed so that we can maintain overall momentum in our relationship, even if we run into problems in certain areas.

Therefore, we have had more high-level visits, we've had more negotiations, we've had military-to-military talks resume.

As a result of this decision in the fall of 1993, there's been something like seven or eight Cabinet-level visits, the president has met with his counterpart at a couple of regional economic meetings, and we have engaged [the Chinese] across the board. Now we've had certain difficulties, but we've also had areas of progress that have balanced off the problems.

The second major change was in the spring of 1994, when the president delinked most favored nation trade status from the human rights problem and started pursuing human rights through other measures. Those are two major tactical changes, but the approach from the beginning has been to try to construct a positive relationship on important parts.

How, specifically, has the Clinton administration's policy distinguished itself from the Bush administration's?

Well, I think first of all there has been a little bit more sustained effort on nonproliferation and the human rights problem. But, in other areas, we have seen some continuity. Now we have sought and gained China's cooperation on the Korean nuclear issue, which really

wasn't that hot an issue in the previous administration; that is a new element and is a positive aspect of our relations. We've also been working rather well on Cambodia. And we've been through some newer items on our agenda at least with a little bit more emphasis than the previous administration, such as narcotics control and sustainable development. But in other areas, in terms of negotiations and working on these tough issues, I think there has been continuity.

How would you respond to the observation that, although the United States has lost its “China card” in dealing with Russia, its relationship to China is virtually unchanged from the cold war years?

I think it has greatly changed, although the importance is as great as ever. We do not have the Soviet factor that we had during the 70s and 80s, when we were not playing a China card, but clearly China's concern with the Soviet Union and our own concern did meet some parallel geopolitical interest. That factor has essentially been removed with the collapse of the Soviet empire and the fact that both of us are improving our relations with Russia. However, that is certainly different from the cold war. Having said that, China remains just as important geopolitically, if not more important to us. It's important on regional issues like Korea and Cambodia, or the South China Sea territorial dispute. It's important because it's a nuclear power and also exports advanced technology and nuclear materials to various countries. It's important because it has the world's largest population and will have a tremendous impact on the environment and on energy sources around the world. It's important because of its potentially huge market and its fast, dynamic growth. Finally, it's important because it has a veto in the UN Security Council and therefore is a major actor in terms of being able to move forward with peacekeeping or other actions in the United Nations. So, the strategic importance of China, if anything, is growing even though the specific military factor has been removed; it is certainly different than during the cold war in that sense. It's flirtatious however. It's a mixed relationship, where we'll have areas of cooperation but also areas of confrontation, which we try to manage.

What has been the Clinton administration's reaction to China's de facto occupation of Mischief Reef in the Spratly Islands in February?

We [have recently issued] a revised and elaborated statement of American policy toward the South China

This is an edited transcript of an interview conducted by Consulting Editor Sean Patrick Murphy on June 19 and July 21, 1995.

Sea issue. Now it is not just in reaction to China's action on the Mischief Reef; there are several other events recently that have suggested this could become a dangerous issue. Up until our statement, we had had talking points on the South China Sea. What we did was to put all our positions in one formal statement that had the following elements either reaffirming what our policy already was or, in certain cases, elaborating on it.

But the other reason was not just because of recent incidents but because we have a genuine interest in the freedom of navigation in that area as well as stability in that part of the world. We don't want to see conflict develop between the various disputants with conflicting territorial claims over potentially rich resources. And, finally, we wanted to demonstrate that we are staying engaged in the Asia-Pacific area. We are maintaining our force levels. And some countries were reading our degree of interest in this issue as reflecting our degree of interest in staying engaged in Asia-Pacific matters generally.

So, for all these reasons, we thought it was important to get this statement out. The statement made it clear that we will continue not to take a position on the sovereignty claims of various countries in the region. On the other hand, we did say more precisely than we ever have before that we would have a serious problem with any maritime claims or restrictions on maritime activities that conflicted with the Law of the Sea treaty or international law in general. This is not directed at any particular country but there are several there that may fly from territorial claims to maritime claims so we wanted to put people on notice about the differentiation. We also reaffirmed that we wanted this issue to be solved peacefully and that we oppose the use of force, that we strongly uphold the freedom of navigation in the area, and we call on all the participants to show restraint to try to solve this issue in a peaceful way.

The Clinton administration has made good on its promise to create a business code for American companies operating in China that includes the avoidance of using child or prison labor and environmental protection. Does the administration have any plans to penalize those companies that violate these principles?

First, these principles are voluntary. We worked them out after consultation with the business community as well as human rights groups and other interested observers. Second, they are global principles—they apply around the world and they build on practices and principles that many companies are already pursuing. Obviously they came out in the context of China and the president's commitment last spring when he delinked MFN trading status from human rights.

We are devising ways to share information on how these principles are being enunciated and carried out and have companies compare experiences. We expect some conferences to that end. We would foresee perhaps awards for those companies that practice these principles

the most effectively. But there are no plans for punishment at this point because it's voluntary and it's meant to encourage good behavior—not to punish those who don't participate in it.

Now that human rights certification is no longer tied to the granting of MFN status, what leverage, if any, will be used?

Well there's no question that by not having the MFN linkage you lose some leverage. We have a \$30 billion deficit with China in trade, so its exports to us are very important and revocation of or conditioning of MFN does provide some heavy leverage. We did make some progress in human rights the first year of this administration partly because of that.

[However], it's also a very blunt instrument. There was a danger we were hurting innocent bystanders like Hong Kong and Taiwan as well as many reform-minded people in China itself, as well as our business interests. And therefore, after a year, the president decided that its utility had been used up and we would have to pursue our policy in different ways.

We have expanded Voice of America radio broadcasts and television programs beamed into China, which, we believe, also contribute to the general pursuit of human rights. We are spending a lot of time working with the Chinese in a less contentious area but still very important to human rights, and that is the development of legal form. Whether it's the exchanges of justices or lawyers or seminars, we are trying to work with China to develop its legal system. This is important not only for its economic development but for several human liberties over time. We think that over the long run that's a very important area.

So these are the various ways we are pursuing human rights outside of the linkage to MFN. I should also point out that we have a regular human rights dialogue that takes place here and in China every six months, conducted by the secretary for democracy and labor rights affairs; we raise human rights in almost every meeting at various levels from the president to the foreign ministers on down. So we certainly embed human rights in our policies more than any other country. At the same time we recognize we have other interests in China—security, political, economic, or environmental—and we have to balance those interests with our human rights objectives.

How serious is the fallout from Taiwan President Lee Teng-hui's June visit to Cornell University? What, if anything, did the United States hope to gain by allowing Lee to visit?

This gets into the timing of this as we speak in mid-June, therefore it is difficult to answer this now in a way that might hold up in early September. So I do think it's important particularly in this question to insert a caveat.

So far the record is that there's been very tough rhetoric out of Beijing attacking our decision. There's been the postponement—we hope it's postponement and not cancellation—of various trips back and forth and

negotiations on nonproliferation and peaceful uses of their energy and military-to-military contact. In addition, their ambassador was due to go home anyway this summer for consultations but they withdrew him a little earlier than planned and have publicized that as a symbolic gesture of protest.

Do you think there's any chance that this will go beyond symbolic?

We'll have to see. I've given you a record of what's happened so far—all of which is unfortunate and we hope temporary, but it has not touched the nerve center of our policy.

We would like to think that their interest in good relations with us would prevent them from taking more fundamental steps. They need us economically. They want us for geopolitical balance. They have an interest in good relations with us. Furthermore, we have assured them privately and publicly that we have not changed our basic policy and that our relations with Taiwan remain unofficial. We recognize Beijing as the capital of China and we're following a one China policy and maintaining our adherence to the three communiqués we've signed with Beijing as well as adherence to the Taiwan Relations Act. And therefore they should not inflate the importance of this step.

We made it very clear it was a private visit and whether you have private visits or transit visits they are not official visits, which are completely different. The administration did not meet with Mr. Lee. We kept down the profile of the visit, we afforded him the respect and dignity he deserves but we made it very clear [to] Taiwan that this was a private and not an official visit. Now very frankly the president had a difficult choice a few weeks ago; we had been on record as opposing even these private visits as perhaps confusing the issue of officiality, even though they're in a different category than an official visit. The votes in Congress [to allow Lee to visit] were absolutely overwhelming and veto proof and therefore the visit was going to come about anyway, perhaps with other conditions that would make it even more official. So seeing the handwriting on the wall, the president felt it was important...to go along with [the visit] but to make clear to all parties concerned that it was strictly private and not official.

Do you think that, had the president vetoed the bill and his veto had been overridden, it would have further politicized the issue?

Yes, that was our judgment call: that it was better to try to limit the damage. We wanted to afford Mr. Lee a dignified visit but make it strictly private and unofficial

and point out to Beijing the overwhelming majority [in support of the visit] in Congress. The fact is that almost everybody—including most people in Congress who wanted this visit to take place—wants good relations with Beijing. They don't feel that these are incompatible. They feel that Beijing should understand that a respected elder statesperson, on a private visit to northern New York state, not meeting with administration officials, should not be a cause for great anguish and in no way denotes officiality. There are some who pressed this visit because they don't care whether we have bad relations with Beijing, but the overwhelming majority of senators and congressmen with whom I've talked honestly can't understand why Beijing should get upset about this; they think it's just a private, friendly gesture that in no way changes our policy. That is our position as well, and we would hope Beijing would understand that and together with an interest in a good relationship with us would limit the damage to our relationship.

"The votes in Congress [to allow Taiwanese President Lee Teng-hui to visit] were absolutely overwhelming and veto proof... Seeing the handwriting on the wall, the president felt it was important...to go along with [the visit]."

Do you think that the Chinese arrested Harry Wu [a naturalized American citizen] in retaliation for President Lee's visit to Cornell?

You'd have to ask the Chinese that. Of course, his arrest came at a difficult time, in the wake of that visit. But they say it has nothing to do with it and I sense that he could have been arrested anyway given their unhappiness with him. So he's a sensitive issue for them, and even if our relations were in better shape, they might have arrested him

anyway. It isn't that we approved of it, it's the opposite; I'm just saying it might have been the case.

It has been reported that you have told Zhou Wenzhong, the Chinese chargé d'affaires in Washington, that if Wu's arrest "is not resolved quickly, the consequences will not be limited to his own situation." What consequences were you referring to?

First, I don't want to confirm specific dialogue of a diplomatic nature with another government. Without confirming your premise, let me say I have talked to him and we've talked to the Chinese both here and in Beijing, as have others, in a full-court diplomatic press to try to get Harry Wu released. We have said, in effect, that whatever the charge is or debates about the legal matters, not only on a humanitarian basis but also on the basis of moving an obstacle to better US-China relations, let him leave the country immediately—release him immediately. We've been pressing that line. We have not specifically retaliated; we have resorted only to diplomacy, indeed made strenuous efforts this week to preserve MFN despite our unhappiness about certain Chinese actions, including Harry Wu. We are trying to resume momentum in

our relationship. So it's an objective fact that if they hold on to Harry Wu, it will effect the relationship. We saw that in the mood in the Congress for the past couple weeks, so those are the kind of points we've been making. We've been careful to stay away from retaliation not only because we don't want to send the relationship in a further downward spiral, but we also don't think that's the way to get Harry Wu out. We believe that specific retaliation might make it more difficult to get him out and that's why we've been confining ourselves to very vigorous diplomacy.

In a July 21 Associated Press report, House Democratic leader Richard Gephardt (D-Mo.), is quoted as saying, "The truth is, none of us know what to do to get China to change." Do you think that the administration is at an impasse?

I think we have to get China to change. Of course, if you put it that way, we wouldn't be so arrogant as to think we're going to change another great nation and that is not our purpose anyway. But I know what he's getting at: he means to get them to perform better on human rights and nonproliferation and other matters.

Let's keep in mind that we've had ups and downs in our relationship for several decades now; it's never going to be a smooth relationship given our different situations, ideologies, and perspectives. We've emerged from difficult patches in our relationship before, so we hope we can work our way out of this one. We are at a serious juncture, where we believe in dealing with China where we have a mixed picture, so we have to have a mixed approach. Overall we have made it clear that we want a constructive relationship in our own self-interest—China is a very important country—and we wish to maintain constructive engagement, not containment, and we are willing to cooperate wherever possible. We also have to be prepared to show firmness where required if they're not cooperating and that includes whatever diplomatic pressure we can mount on human rights issues like political prisoners or the release of Harry Wu specifically.

You need a mix of levers and incentives and some means of leverage but overall, we have been stressing that we do hope to have a constructive relationship—that's the only way to deal with China.

If the Wu case is resolved, will the administration invite President Jiang Zemin to visit the United States this fall?

We have to be very careful. We of course will welcome the release of Mr. Wu if it comes, so we think that is extremely important that that happen as soon as possible. We don't, however, want to get into a quid pro quo situation. We have not retaliated, nor or are we going to bargain for his release; we're just appealing to Chinese self-interest and therefore questions like high-level visits have to be treated as part of the overall relationship sepa-

ately. Furthermore, if a country stops doing something they shouldn't have done in the first place, you can't immediately move toward a reward. Having said that, we would welcome his release and it would improve the atmosphere—but other issues such as high-level visits have to be handled in a different context.

What kind of diplomatic pressures are you bringing to bear with the Wu case specifically?

We've obviously made public statements continually and private démarches both here and in Beijing. We've also asked other countries, several of whom have weighed in on behalf of releasing Harry Wu, and we've asked distinguished American citizens to encourage the Chinese to release Harry Wu—and people like Henry Kissinger have so done.

Do you think House Speaker Newt Gingrich's call for recognizing Taiwan has increased the degree of animosity between the United States and China in recent weeks?

First of all, Mr. Gingrich has recanted that. Mr. Kissinger talked to him, and in an interview that he gave with *The New York Times* he said that he didn't mean what he said. So he has reversed himself; it's a moot point. At the time, I and others pointed out that not only would the administration disagree with him, but many of his fellow Republicans would disagree with him. But he obviously either wasn't serious or didn't know what he was talking about or has changed his mind.

What do you consider the Clinton administration's greatest achievement in China?

Of course, right now we are facing a difficult time and a lot can happen over the coming months. I would say that the greatest achievement [would be] to establish comprehensive engagement so we can ride periods of stress. We're under stress now on the Taiwan issue, but in recent months when we've had some trade disputes or human rights problems we've managed to maintain momentum; we cooperated on Korea, on Cambodia, on narcotics control, on sustainable development, on alien smuggling and they have generally not been obstructionist in the United Nations on peacekeeping activities. We've reached some trade agreements like the intellectual property rights agreement. We've had military-to-military exchanges, and we're even on the edge of some significant nonproliferation talks, [although they] have now been suspended. So I think—not to mention our growing economic ties, even though the deficit is still huge and one that is unacceptable—that the greatest achievement is to have a broad enough agenda so that we can contain our differences and still maintain overall momentum despite the obvious problems we're going to have. ■

In his exploration of political possibilities in the post-Deng era, Joseph Fewsmith predicts that "the obvious lack of political institutionalization means that succession will be accompanied by a power struggle. Some have argued that this has already taken place. . . With Deng's death, power in China will shift decisively from the generation that fought and won the revolution to the first generation to grow up under Communist rule."

Jockeying for Position in the Post-Deng Era

BY JOSEPH FEWSMITH

Deng Xiaoping has done more to realize China's century-old dream of obtaining "wealth and power" than any other leader in modern Chinese history. When Deng took over in late 1978, the average per capita income of urban residents was 316 yuan and that of peasants only 134 yuan; fully one-quarter of China's rural population survived on an annual income of less than 50 yuan. Foreign trade stood at only \$21 billion, and China's long-term neglect of defense modernization was fully reflected in the mauling Chinese troops received during their February 1979 incursion into Vietnam.

A decade and a half later, China, in economic terms, is well on its way to becoming a moderately developed nation. After more than 10 years of approximately 10 percent annual GDP growth, urban residents in 1994 registered a per capita annual income of 3,179 yuan while rural residents earned 1,220 yuan. Foreign trade grew to \$234 billion last year, making China the eleventh largest trading nation in the world. Concerns that China is coupling its economic development with military prowess, however exaggerated, have at least paid China the backhanded compliment that its defense modernization is finally showing results. Even allowing for the substantial inflation of recent years, there is no question that China's citizens are enjoying an unprecedented degree of prosperity. Deng Xiaoping has largely accomplished what Mao Zedong could only dream about.

Deng's legacy, of course, is far from unambiguous. Although the scope of "private" life in China today is much larger, restrictions on political expression and participation are tighter than at any time since Deng's ascendance. Dissidents are regularly arrested and sen-

tenced to increasingly long jail terms. In foreign affairs, China's human rights record, its secrecy about military matters, and its generally defensive posture since the 1989 Tiananmen Square massacre have exacerbated relations with foreign countries (which have themselves shown a remarkable inability to understand and deal intelligently with China). In the economic realm, major questions about corruption, the health of China's state-owned enterprises, and center-provincial relations remain unanswered.

Perhaps nowhere is Deng's legacy more uncertain than in the building of viable political institutions, the key to long-term stability. Indeed, the reason outside observers and Hong Kong investors alike closely follow rumors about Deng's health is concern about China's political stability once the "paramount" leader dies. Fifteen years ago it seemed that Deng himself might lead China out of the wilderness, rebuilding and giving credibility to the institutions Mao had so carelessly destroyed. Deng's 1980 observation that sound institutions "can place restraints on the actions of bad people" while unsound ones can "hamper the efforts of good people or even, in certain cases, push them in the wrong direction," remains perhaps the most poignant statement made in the reform period. Deng's failure to act decisively on his own observation speaks volumes about the difficulty of "political structural reform."

The obvious lack of political institutionalization means that succession will be accompanied by a power struggle. Some have argued that this contest has already taken place—that the current head of the Chinese Communist Party and president of China, Jiang Zemin, has already won that struggle, and that the succession will therefore occur smoothly and without disruption. Jiang has indeed enhanced his position in recent months. But power and policy are always related in China, which suggests that if Jiang's policies are not successful, he will face renewed political challenges.

Because of the uncertainties surrounding the passing of Deng, the prospect of his imminent death has cast a shadow over China's political system for at least the past year. The energies of China's leaders and the

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drumbeat of China's media have been geared toward the day when Deng finally "goes to meet Marx." The theme of unity and stability has been relentlessly repeated, suggesting the extent of the institutional, political, and social problems China faces. Indeed, the depth and complexity of these problems is one of the advantages that Jiang Zemin, as the incumbent, holds in rallying support to his side.

With Deng's death, power in China will shift decisively from the generation that fought and won the revolution to the first generation to grow up under Communist rule. Many in this new generation are Chinese engineers—some Soviet-trained—who have slowly climbed the party and bureaucratic hierarchies to reach high position. They are a different breed from the revolutionary generation: they have earned their position through promotion, not revolution. Their bureaucratic careers make them more cautious and they are also less ideological than their predecessors. Whether such people can build the necessary institutions and make them work, or whether their own lack of revolutionary legitimacy will simply weaken a system that has already been undermined by domestic dissent and the collapse of communism in the Soviet Union and Eastern Europe, remains to be seen.

Both the leadership that emerges and the institutions that are—or are not—built in the course of succession will hinge on the interaction between societal forces and issues and the maneuvering within China's ruling circles. This will not be a simple interaction with elites yielding to pressures from below, but rather a complex one in which elites attempt to interpret, control, and channel divergent pressures and trends in society while looking over their shoulders to see how their elite competitors are laying the groundwork for different responses and preparing to take advantage of any political missteps.

VENTING SOCIAL PRESSURE

Pressures in Chinese society today are enormously varied and complex. Advocates of democratization must compete for attention with other forces and issues that are driving the Chinese political system (or at least the top leadership) in a more authoritarian direction. These include inflation, corruption, nepotism, income inequality, regional disparity, social disorder, provincial resistance to central control, rural discontent, the migration of millions from the hinterland to coastal cities, and the prospect of substantial urban unemployment as inefficient state-owned enterprises go bankrupt.

Many of these problems are intertwined and therefore difficult to resolve. For instance, in 1992 the four economically linked provinces of southwest China

(coastal Guangdong and inland Guangxi, Guizhou, and Yunnan) grew at different rates—22, 18, 9, and 11 percent respectively—but their inflation rates the following year (largely brought about by the fast growth the year before) all hovered around 18 percent. Inflation, which had a far more adverse affect on the poor inland provinces than it did on Guangdong, exacerbated the difficulties of the rural and largely agricultural economies of those provinces, thereby providing a strong stimulus for rural residents either to migrate toward the coast or engage in illegal activities.

Addressing the burden of inflation-plagued farmers, as the government did last year by raising procurement prices, is undoubtedly necessary, but it substantially augments nationwide inflation (in 1994 it was estimated that the higher food prices contributed close to two-thirds the country's 24 percent inflation). At the same time, reducing the rate of inflation by curtailing credit, loans, and investment would create massive problems for the state-owned enterprises that would threaten large-scale urban unemployment or escalating deficits in the central budget.

While economic growth and inflation have affected various parts of the country differently, the uncertainty of Beijing's control over the provinces, the continuing deficits faced by many state-owned enterprises, the corruption and income inequality in the cities, and the migration of some 20 million peasants a year to the cities are providing a potent mixture of economic and social issues that, if not adequately addressed, could provoke regime-threatening disorder.

Those socioeconomic forces have given rise in recent years to the emergence of a "neoconservative" force that seems likely to be a factor in Chinese politics in the months and years ahead. Neoconservatives differ from older traditionalists in that their opposition to certain reforms is rooted not so much in the tenets of Marxism-Leninism-Mao Zedong Thought as it is on their belief in the need to reinforce the state's authority in a period of transition. Neoconservatives have advocated strengthening state-owned enterprises, whose taxes support the central budget; reinforcing the government's control over the provinces; and emphasizing nationalism to legitimize the state. There is also a populist edge to some neoconservative writings that emphasizes opposition to corruption and controlling peasant migration to the cities.¹

In short, the general uncertainty of the succession, the exacerbation of potentially threatening economic and social conditions, and the existence of elite forces ranging from centrists to neoconservatives to traditionalists have provided a powerful political basis for those in the government who want to slow though not stop the pace of reform in the name of stability. Jiang Zemin has worked hard to position himself atop this base and thereby secure the power to match his titles (in addition to being head of the party and president of

¹See Joseph Fewsmith, "Neoconservatism and the End of the Dengist Era," *Asian Survey*, July 1995.

the state, Jiang is chairman of the powerful Central Military Commission).

JIANG TAKES THE OFFENSIVE

Jiang was elevated to head the party in the wake of the 1989 Tiananmen crackdown and has projected little sense of authority or vision in the years since. Six years after assuming the title of general secretary, Jiang's speeches still lack the personal flair of his predecessors Hu Yaobang and Zhao Ziyang, and they seldom reveal Jiang's personality or the direction in which he wants to lead the country. As a result, Jiang has yet to convince many foreign and Chinese observers that he has the ability to maintain his position after Deng's death. While Jiang may indeed prove to be Hua Guofeng the second, as his detractors suggest, he has taken a number of important, even bold, steps over the past two years to consolidate his position. Whatever his faults, Jiang must be taken seriously as the incumbent leader of China and the person most likely to lead the country into the post-Deng era.

Jiang's first important move came at the time of the fourteenth party congress in October 1992, when he apparently demanded the removal of Yang Baibing, who was then head of the People's Liberation Army General Political Department, a member of the Central Military Commission, and half-brother of Deng confidant and military leader Yang Shangkun. Jiang apparently accused Yang Baibing of factionalism and general disrespect of the general secretary; Deng, eager to preserve his third effort to arrange the succession, finally supported him. The removal of Yang and the subsequent shakeup of the military hierarchy clearly bolstered Jiang's position with the military, though it did not necessarily consolidate it. Nevertheless, this incident shows Jiang has the ability to set up a carefully engineered confrontation and then move boldly to oust a potential threat to his power.

Jiang's confrontation with the Yang brothers was an important victory, but a more systematic effort to secure his position only gathered steam last year. As the September date of fourth plenary session of the party's fourteenth Central Committee approached, Jiang changed the agenda of the session, dropping consideration of economic issues and focusing exclusively on the issue of "party building." Apparently taking heed of the experience of the former Soviet Union, Jiang concluded that his (and perhaps the party's) only chance lay in strengthening the party and invoking party discipline to shore up the power of the center and the position of general secretary toward his potential challengers. Thus the "Decision of the Central Committee of the CCP Concerning Some Major Issues

on Strengthening Party Building," adopted by the plenum, stressed building "democratic centralism" so that lower levels of the party are subordinate to the Central Committee and that body is subordinate to the "core."

The plenum proved to be a major victory for Jiang Zemin. The *People's Daily* noted the far-reaching significance of the fact that "the second-generation central leading collective [led by Deng] of our party has been successfully relieved by its third generation leading collective [led by Jiang]," a point reiterated by Prime Minister Li Peng during his November 1994 trip to Korea and again by Jiang Zemin a few days later during his trip to Malaysia. Not only did the "Decision" reaffirm Jiang's position as the "core" of the leadership, it also promoted three of his protégés. Huang Ju, the mayor of Shanghai, was promoted to the Politburo, while Wu Bangguo, Shanghai's party secretary, and Jiang Chunyun, Shandong province party secretary, were elevated to the party Secretariat.

The promotion of Wu and Jiang, who were subsequently made vice prime ministers at the National People's Congress session this March, not only brought two allies to the center: it also allowed Jiang to undermine the authority of another potential rival, Zhu Rongji, one of the seven members of the powerful Politburo Standing Committee and executive vice prime minister who has been popularly called China's "economic czar." Wu was named a deputy director of the party's Central Finance and Economic Leading Group, thereby dividing leadership of that important group with Zhu Rongji. (Zhu is also a deputy director, and Jiang Zemin is the head). Moreover, Wu was given control

over the reform of state-owned enterprises, the focus of reform work in 1995 and a major chunk of Zhu's portfolio. At the same time, Jiang Chunyun was given the task of overseeing agriculture, another task for which Zhu Rongji had previously been responsible.

Fresh from his victory at the fourth plenum, Jiang Zemin oversaw a series of economic meetings that set party policy for 1995. It was soon evident that the party would back off the pace of bold economic reform adopted under Zhu Rongji's auspices in 1993 and 1994. In 1993, largely under the impetus of Zhu, the party had adopted a blueprint to turn China's state-owned enterprises into modern corporations. This far-reaching, market-oriented, and fast-paced policy would have put all enterprises on an equal footing, allowing inefficient state-owned enterprises to collapse or to be sold off. Zhu, however, has never advocated Western-style laissez-faire economics; indeed, he recently took China's liberal-minded economists to task for their allegedly naive belief in Western textbook theories

Whatever his faults, Jiang must be taken seriously as the incumbent leader of China and the person most likely to lead the country into the post-Deng era.

Players to Watch in China's Succession

Jiang Zemin

Jiang, 68, holds China's top three positions: general secretary of the Chinese Communist Party, president of the People's Republic of China, and chairman of the Central Military Commission. As the incumbent, Jiang is in the strongest position going into the succession. The question is: Can he secure power equivalent to his titles? Over the past year or so, Jiang has obtained a party decision that strengthens his hand, has increased his control over the economy, and has launched a campaign against corruption. These moves put him in good position to lead a "center-left" coalition stressing stability and unity.

Yang Shangkun

Although 87 years old, Yang appears to be in good health, frequently touring the country. One of Deng's chief supporters in the military, Yang appears to have aspired to replace Deng as the strongman behind the throne. However, he lost a major battle to Jiang Zemin in 1992. If Yang's health holds up, he may yet try to rally his supporters in the army to oppose Jiang.

Zhu Rongji

The energetic Zhu, 66, was brought to Beijing by Deng Xiaoping to inject a reformist spirit into economic management. Zhu consolidated most major economic portfolios into his hands, earning the sobriquet "economic czar." His energetic style and plans for rapid but directed reform gained him many enemies, both among conservative bureaucrats and more liberal economists. As Jiang Zemin has moved to strengthen his position, Zhu's seems to be fading. He remains executive vice prime minister, however, and could surge to the fore again if more conservative policies are seen as causing severe economic problems.

Wan Li

Wan, 78, a long-time supporter and bridge partner of Deng Xiaoping, earned a reputation as the father of China's rural reform. Long a member of the Politburo, Wan served as head of the National People's Congress from 1988 to 1993. Perhaps the most liberal of China's elders, Wan might weigh in against Jiang if reform seems to be stagnating.

Qiao Shi

Qiao, 70, has spent most of his career in security work, giving him a shadowy, somewhat sinister reputation in the West. In fact, Qiao has consistently favored moderation, including opening up the political system and increasing the role of law. As the third ranking member of the Politburo Standing Committee (behind Jiang and Li) and as concurrent head of China's legislative arm, the National People's Congress, Qiao has the rank and position to influence policy and politics. It is not yet clear whether Qiao will try to push Jiang in a more open direction or challenge Jiang's right to hold power.

Li Peng

The leader most closely identified with the Tiananmen crackdown, the 66-year-old Li has managed to hold on to his position as prime minister, being named to a second five-year term in the spring of 1993. Noted for his conservative management of the economy, Li, who suffered a heart attack in 1993, has generally allowed Vice Prime Minister Zhu Rongji to take day-to-day control of the economy. If Zhu's star fades, Li's position will be strengthened.

(apparently in response to their criticism of Zhu for trying to manage a market economy as if it were a planned economy). Zhu has instead promoted the use of state authority to effect a top-down reform of the economy and to control the side effects caused by the reforms (such as the draconian measures he used to stop stock speculation and the opening up of development zones in 1993), and has been an advocate of strong central authority and low inflation. His goal, it appears, is not privatization, much less a Western model of laissez-faire management, but rather creating a "leaner and meaner" core of efficient, state-owned enterprises through executive action.

Jiang Zemin and Li Peng, however, believed that the economic, social, and political risks of Zhu's fast-paced strategy were too great. They feared the possible diminution of state authority, the risk of continued inflation, and the prospect of millions of workers being laid off. In a period of leadership transition, their natural tendency was to batten down the hatches and go more slowly.

Thus, controlling inflation became the main theme of a series of year-end economic conferences, though leaders vowed not to repeat the "hard landing" that

accompanied the 1988-1989 retrenchment. Monetary policy was to be "moderately" tight, and the National People's Congress (NPC) meeting in March officially set the goal of reducing inflation to 10 percent. At the same time, reform was to be focused on shoring up the troubled state-owned enterprises, which continue to supply about two-thirds of central government revenue. The conservative wing of the party seems convinced that rapid reform of state-owned enterprises will erode the authority of the central government and the party and will also undermine what is left of socialist ideology. As Prime Minister Li put it, "Without solid state-owned enterprises, there will be no socialist China." Hence, reform in 1995 concentrates on the selection of 100 state-owned enterprises for pilot projects in the creation of a modern "corporate" form—as if China has not carried out hundreds of pilot projects over the past decade and more.

For the first time since 1989, the media began referring to state-owned enterprises as the "national team" (as opposed to county and provincial enterprises, which are known diminutively as the "local team"). State-owned enterprises were praised for, and the cur-

rent difficulties partly ascribed to, their efforts to shoulder the economic burdens of the state. Such enterprises, it claimed, should be the “pillars” of the national economy. Moreover, the media resurrected one of the favorite metaphors of conservative party elder Chen Yun (who died this April at the age of 90), saying that China’s enterprises were like the pieces on a chess board—with the implication that a central authority should decide the role each should play.

THE POLITICS OF CORRUPTION

As Jiang moved to reinforce his political position and put his stamp on economic policy, he also stepped up the campaign against corruption. Corruption has been an enormously difficult problem to deal with because of its pervasiveness and because it cannot be separated from the various political networks that permeate the economy. Popular indignation with it was one of the powerful motivations for the protest movement of 1989, and the party implicitly acknowledged the legitimacy of the complaint by quickly launching a campaign against corruption. Like many of its predecessors, that campaign fizzled, with few visible results; the party, however, launched another campaign in August 1993 amid evidence that corruption had reached new levels.

The first year of this campaign seemed to go much like its predecessors had—catching many flies but few tigers. In the winter of 1994-1995, however, the campaign shifted into high gear. The first major casualty was Yan Jianhong, the wife of former Guizhou provincial party secretary Liu Zhengwei, who was executed this January for taking advantage of her connections to embezzle and misappropriate millions of yuan.

Then, in February, Zhou Beifang was arrested. Zhou, the director of Hong Kong-based Shougang (Capital Iron and Steel) International, is the son of Zhou Guanwu, who heads the model enterprise Shougang in Beijing and is well connected to such senior leaders as Deng Xiaoping, and two former chairmen of the National People’s Congress, Wan Li and Peng Zhen. The following day, the elder Zhou retired as head of Shougang. In addition, Deng Xiaoping’s son, Deng Zhifang, was apparently detained and questioned in connection with the case, though no charges were filed against him.

At the same time, an ongoing investigation into corruption in Beijing municipality apparently resulted in the detention of some 60 cadres in the city, including the secretaries of Beijing party chief Chen Xitong and Mayor Li Qiyang. In early April, Deputy Mayor Wang Baosen, who had apparently been implicated by the investigation, took his own life (though there are rumors that he was murdered). The upheaval in the city came to a climax in late April when Beijing party secretary Chen Xitong, a member of the Politburo and an ally of Deng Xiaoping, was removed from office and investigated.

With Chen’s removal, the effort to strengthen “democratic centralism,” the campaign against corruption, and the leadership power struggle had come together. In one stroke, Jiang moved against one of the most entrenched local leaders in the country, made a bid for popular support in the campaign against corruption, and acted against powerful people who might oppose him in the future, including the Deng family and Wan Li.

Jiang’s efforts to establish his personal authority have also included changes to the provincial leadership. In the six months between the fall of 1994 this spring, approximately half of China’s 30 provinces received either a new party secretary or a new governor. This suggests an attempt to replace older, more entrenched local officials with a younger, more deferential group.

SURVEYING THE OPPOSITION

Jiang Zemin is certainly turning out to be a more formidable politician than the mediocrity that Chinese and foreign observers have generally taken him to be. Jiang’s inside hand seems strong: he has the advantage of incumbency, has shaped personnel arrangements to his benefit, and has played to the fear that a political challenge to the center’s economic and political dominance (and Jiang’s role as the “core” of that center) could start China down the slippery slope traveled by the former Soviet Union.

These are powerful advantages, at least in the short run. But for all his recent success, Jiang still lacks either the respect of many party veterans or a vision of the future by which he might rally support within the party and throughout the nation. Jiang himself seems to recognize this lack. He reportedly commented that while the first generation of Communist leadership (led by Mao) had the theory of revolutionary socialism, and the second generation (led by Deng) had the theory of building socialism with Chinese characteristics, the third generation (of which Jiang is supposedly the core) has not yet put its ideological stamp on Chinese politics. Jiang seems convinced of the importance of ideology and the need to develop a theoretical framework to secure his power and to rally the nation behind the government’s efforts. To that end, Jiang and other conservative leaders are supporting the theoretical probings of neoconservatives.

Nevertheless, the absence of a convincing theoretical vision leaves Jiang vulnerable, and others seem poised to exploit that vulnerability. In broad terms, the ideological battle that is shaping up revolves around how much openness and participation will be allowed in the decision-making process. Leaving aside those domestic and overseas Chinese who call for the replacement of Communist rule with democratic politics, there are many moderate reformers calling for the opening up and routinization of the political process in

ways that conflict with Jiang Zemin's emphasis on "democratic centralism." This demand is being led by many in the NPC, including Qiao Shi, the head of that legislative organ, and Tian Jiyun, a member of the Politburo and concurrent Standing Committee member of the NPC. Over the long term, as long as domestic stability prevails and foreign relations are stable, these demands will be difficult to deny, for the call for law and "democratic" processes is accepted by all, rhetorically at least.

When Qiao Shi became chairman of the NPC in March 1993, he declared that "democracy must be institutionalized and codified into laws so that this system and its laws will not change with a change in leadership, nor with changes in [individual leaders'] viewpoints and attention." Qiao has returned to this theme many times since. This January he remarked that, "It is our constant policy to actively advance political structural reform and to build socialist democratic politics with Chinese characteristics. The process of developing the socialist market economy is also the process of developing socialist democratic politics. The two sides complement each other and develop harmoniously." Qiao has tried to increase the role of the NPC by stepping up the pace at which it passes economic and other legislation. During Qiao's tenure, the NPC and its Standing Committee have enacted 31 laws and have formulated 15 sets of supplementary regulations, a legislative pace unimaginable in the past. Moreover, in formulating this legislation, the NPC has increasingly relied on experts rather than administrative organs. Finally, in a subtle but significant effort to increase the NPC's political importance, the annual plenary sessions of that body have crept slowly earlier in the year. Two years ago, the NPC convened on March 15; this year's session gathered on March 5, which is closer to the time when major policies are set.

At the same time that Qiao has emphasized the role of legislation and law, he has also given greater weight to provincial initiative and the speed of economic reform than have Jiang Zemin or Li Peng. For example, in a statement that was at considerable variance with the tone of the commentary following last fall's fourth plenum, Qiao went to Guangdong—the province with perhaps the greatest difference of opinion with the center—and said, "In implementing the guidelines of the fourth plenary session of the fourteenth Central Committee, it is particularly necessary to take local realities into account." He then seemed to take a swipe at Jiang's bland ideological generalizations: "The purpose of studying Marxism-Leninism lies completely in application and solving practical problems; therefore, we can-

not talk in generalities without touching realities." Finally, even as Jiang and Li were charting a slower pace for economic reform, Qiao declared that "reform is the only way out for large and medium state-owned enterprises. Measures that have proved effective in pilot enterprises should be spread and implemented in other enterprises, regardless of the fact that there is some risk involved. As Comrade Xiaoping has said, we should undertake reform as the second revolution; how, then, can we not expect to encounter a little risk." Similarly, NPC Standing Committee member Tian Jiyun has taken a bold line on expanding the authority of the NPC and its right to supervise the government. During the March meeting of the NPC, Tian supported the Guangdong delegation's complaints that China's rulers were not allowing that body to function as the "highest administrative organ" as called for by the constitution. The day after this raucous meeting, 36 percent of NPC delegates either abstained or voted against the nomination of Jiang Chunyun as vice prime minister. China's legislature had never registered such a large protest; it was a vote that

displayed considerable discontent not only with the nominee but also with Jiang Zemin, who had selected him.

Jiang will not only need to shore up his standing among China's civilian officials but also convince China's military that he can run China effectively. When Deng stepped down as head of the Central Military Commission in November 1989, his successor, Jiang Zemin, modestly and correctly observed that "I have never engaged in military affairs and do

not have experience in this area. I deeply feel that the responsibility is heavy and that my abilities are not equal to the task." Jiang's confrontation with Yang Baibing in 1992 and his subsequent efforts to promote officers who will be loyal to him has certainly enhanced Jiang's standing among some in the military, but it also certainly alienated others, such as Yang's half-brother, Yang Shangkun. China's military is likely to accept Jiang as head of the country as long as his management of foreign affairs and security interests is strong. Hardliners in the military might question Jiang's leadership if he is perceived as being too soft in relations with the United States and Taiwan, while more reform-minded officers might reject Jiang's leadership if efforts to enhance ideological-political work in the military are seen as undermining professionalism and modernization.

MORE THAN A GENERATIONAL SHIFT?

Although the Chinese leadership has repeatedly said that the political transition from Deng's genera-

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tion to Jiang Zemin's has already been completed, it remains an open question whether this first non-Long March generation to come to power can actually take control. The economic, social, and political problems that it faces would be difficult to resolve under the best of circumstances, and the fact that there remains no agreed-on selection process to legitimate the new leadership means that its authority will be continually questioned until Jiang (or someone else) can establish himself as the "core" of the leadership in reality as well as in name.

Although the personnel maneuvers that have been outlined earlier suggest that China's traditional use of power struggles to resolve succession issues is hardly over, there are some hopeful signs that the struggles themselves—given time and the right conditions—could lead to greater institutionalization. For example, the effort to strengthen "democratic centralism" has been accompanied by a campaign to diminish personalism within the party. There has been much talk in the media about opening up the leadership process, of not allowing party secretaries to form their own "cabinets," and implementing a "law of avoidance" to prevent officials from serving in their native areas. Similarly, the

campaign against corruption has been accompanied by efforts to strengthen the authority of disciplinary party organs and the government's Ministry of Supervision. Moreover, a "sunshine law" to force leaders to reveal their assets and connections has been introduced into the NPC—though not yet passed. And Qiao Shi's efforts to strengthen the role of the NPC have not only increased the amount of legislation passed by that body, but also catalyzed discussion about expanding the NPC's ability to supervise implementation of the law.

These trends are basically healthy. Given time, they might lay the foundation for a more institutionalized, legally based system of governance in the post-Deng era. But this may not begin to happen if domestic problems result in political polarization or if China's foreign relations remain overly tense. Certainly, the current tension between the United States and China can only exacerbate China's domestic situation, leading an insecure leadership to accentuate nationalism while tightening political and economic control. The unwillingness of the Clinton administration or the United States Congress to come to grips with China's political reality may make their concerns about a truculent, antagonistic China a self-fulfilling prophecy. ■

In her investigation of the changing political climate in China, Merle Goldman explores the possibilities for democracy in the post-Deng era. "It is unlikely that the rule of a few old men can guarantee the stability that China's increasingly pluralistic society desires. . . Neither nationalism nor a renewed Confucianism is likely to hold China's diverse, decentralized regions together. . . Democratization may thus evolve in China not because of choice, but because of necessity."

Is Democracy Possible?

BY MERLE GOLDMAN

Despite the June 4, 1989, crackdown on the Tiananmen demonstrators, China can no longer be described as a strictly authoritarian or totalitarian country. One political scientist, Kenneth Lieberthal, calls China's government a "fragmented authoritarianism." Another, Harry Harding, terms it "consultative authoritarianism."

There is no question that the reforms carried out from 1978 to 1989 by paramount leader Deng Xiaoping and his disciples Hu Yaobang and Zhao Ziyang moderated the harsh authoritarianism of the Maoist era. Now, after several decades of authoritarian rule, rapid growth rates, and a semimarket economy, many intellectuals, reform officials, Western governments, and businesspeople believe that China will follow the same route as its ethnic and Confucian neighbors in Taiwan and South Korea and move along a democratic path similar to that of its East Asian neighbors. But how realistic is that scenario?

DISSIDENT VOICES IN THE LEGISLATURE

Although conventional wisdom holds that China has had economic reform but no political reform, this is in fact not the case. During the reform decade, China's Leninist political system began to change in subtle but unprecedented ways. Since the late 1980s, there have been elections for local congresses in which there have been more candidates than positions. Although candidates have to be approved by the party, the party's official choices do not always win. Sometimes the party refuses to allow elected candidates to assume their positions, but in the countryside peasants have often voted incumbents out of office in recent years and the party has gone along with their choices.

By allowing peasants to replace unpopular local cadres with leaders of their own choosing, the party hopes to achieve stability in the countryside. Even after the 1989 Tiananmen crackdown, this practice continued. It is estimated that by the early 1990s nearly one-third of the local people's congresses had multicandidate elections. Equally unprecedented were the multicandidate elections for the party's Central Committee in 1987. In that election delegates to the thirteenth party congress voted out of office a number of old revolutionaries who had been obstructing Deng's reforms.

The National People's Congress, the rubber-stamp legislature of the Mao period, has become in the Deng era a forum for voicing dissent on important issues. Its debates on the bankruptcy law in the 1980s were televised to the nation. Only three years after Tiananmen, one-third of the legislators voted against or abstained from voting on building the Three Gorges hydroelectric dam, a project pushed by the party leadership. At this year's NPC session, about one-third of the parliament's nearly 3,000 deputies voted against or abstained from voting on one of President Jiang Zemin's candidates for vice prime minister. In addition, a meeting of the Guangdong delegation during the congress issued a demand for the rehabilitation of deposed General Secretary Zhao Ziyang, who had been ousted for urging a more conciliatory approach to the 1989 demonstrators.

The National People's Congress became a forum for expressing dissent in the mid-1980s, when it was headed by the revolutionary elder Peng Zhen. Though conservative on political reform, Peng used the NPC to restrain reformers in the Politburo's Standing Committee, the ultimate decision-making body. The potential role of the NPC as a check on party leaders is demonstrated by the fact that even after Peng retired in 1988, it continued to function as a forum for expressing disagreement with the leadership's policies. However, over the years the political tone of the two institutions has

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been reversed. Today the Standing Committee is dominated by more conservative officials and the congress by more reformist officials. Public dissent on party decisions in China's supposed legislature was unknown in the Mao era. The NPC is becoming a legislature in practice as well as in name—which was one of the institutional changes proposed by China's political reformers before June 4.

MORE VOICES, DIFFERENT VIEWS

A freer press is another qualitative change from the Mao era. Beginning just before Deng's official takeover of power at the third plenum of the eleventh Central Committee in December 1978, the media began to open up. It has published debates on fundamental political issues such as the rule of law, freedom of the press, a system of checks and balances, universal human rights, and exchanges between advocates of democracy and advocates of neoauthoritarianism. As long as the participants did not challenge the leadership or the party directly, these discussions, with some brief interruptions, peppered the media. Scores of semiofficial and nonofficial newspapers, journals, and book series were published. Although they had to be officially registered before publication, they presented alternative and sometimes divergent views from the official position.

After June 4, the regime sought to return to the harsher authoritarianism of the pre-Deng era and imposed much tighter censorship. But it had difficulty as long as China continued its economic reforms and remained open to the outside world. Moreover, the burgeoning middle class created by the economic reforms had spawned a lively popular culture that has blossomed outside the party's control. Sinologists Orville Schell and Geremie Barmé have described the efflorescence of nonofficial literature, art, and music in the 1990s.¹ Most popular are semipornographic works of literature and art, rock music, television comedies, and call-in radio talk shows that discuss everything from sexual relationships to environmental pollution. This popular culture is very much influenced by that in Hong Kong, Taiwan, and even Japan.

Although popular culture offers an alternative to the official party culture, it is tolerated because it does not directly touch on political issues. And its escapist quality not only reflects the party's desire for an apolitical culture, it also mirrors the overwhelming desire of the urban population after June 4 to stay away from poli-

tics. Nevertheless, this new culture indirectly subverts the party's control by promoting values totally alien to mainstream traditional Chinese and Marxist-Leninist emphasis on obedience and conformity. Although ostensibly nonpolitical, popular culture could in time lead to ideological and political pluralism as change is pushed from the bottom up.

China is now tied into the international community to a much greater degree than even before the 1949 revolution. The Chinese have foreign contacts through travel, telephone, e-mail, fax machines, and direct personal connections with their Chinese brethren overseas. These sources, along with the newly wealthy Chinese entrepreneurs, provide nonparty funding for new journals, newspapers, and films. In 1993 it was estimated that over 2,000 new newspapers and journals had been launched since 1990. With the growing number of media outlets, the party finds it difficult to monitor their growth or their content. Moreover, the emergence of thousands of private booksellers and scores of private schools (permitted since 1994) makes it virtually impossible for the party to sustain even the relatively loose control over intellectual and cultural life that it had in the 1980s.

PETITIONING THE COURTS—AND THE PARTY

At the same time, more overt challenges to the party are increasing. Individual Chinese are confronting government officials and local cadres through the courts. Ironically, around the time of the crack-down, the party passed the Administrative Litigation Law, which codified the procedures under which ordinary citizens can sue for infringement of rights. In the spring 1993 issue of *Deadalus*, William Alford describes how Chinese are bringing suit against officials and party organizations for legal transgressions, defamation of character, improper seizure of property, and abuse of power, and they seek official apologies, compensation, and injunctions.²

Legal actions have ranged from well-known writer Wang Meng's lawsuit against the party journal *Literary Gazette* in 1991 (for publishing a letter attacking one of his short stories as critical of Deng Xiaoping) to ordinary people protesting human rights violations. Wang's case never came to court, but just the threat of his suit effectively curbed the party's criticism of him. In fact, a book about the case, implicitly favorable to Wang, was published soon after. In another case, the philosopher Guo Luoji, who had been transferred from Beijing University to Nanjing University in 1982 for criticizing party officials in the late 1970s, was forbidden to teach or go abroad after he expressed support for the 1989 student demonstrators. Guo responded by instituting legal proceedings against the State Education Commission and Nanjing University's Party Committee for depriving him of his rights.

Since the judiciary remains under party control,

¹Orville Schell, *Mandate of Heaven*, (New York: Simon and Shuster, 1994), pp. 280-427; Geremie Barmé, "Soft Porn, Packaged Dissent, and Nationalism: Notes on Chinese Culture in the 1990s," *Current History*, September 1994.

²William Alford, "Double-Edged Swords Cut Both Ways: Law and Legitimacy in the People's Republic of China," *Deadalus*, vol.122, no.2 (Spring 1993).

intellectuals generally lose their suits or their cases are ignored. Actions brought by budding entrepreneurs against local cadres for interfering with business activities, however, have been more successful because the party wants to use the legal system to spur the economy. Nevertheless, although the courts did not accept their cases, Wang Meng's suit ended his harassment in the pages of the *Literary Gazette*, and Guo Luoji was eventually allowed to go abroad. Just the threat of legal actions against the party may sometimes result in the desired effect for well-known intellectuals, but it can result in even more repressive treatment for lesser known political activists.

Dissidents purged for their views and activities in the 1980s and imprisoned for their participation in the spring 1989 demonstrations have begun to find their voices again after nearly five years of silence. The most outspoken have been those released from prison in 1993 and 1994 to help China in its bid to win the 2000 Olympics and to help secure President Bill Clinton's delinkage of China's most favored nation treatment from human rights issues. Shortly after their release the dissidents resumed their demands for democratic reforms. And unlike before June 1989, when the elite intellectuals had little to do with student and former Red Guard pro-democracy activists and workers, elite and nonestablishment groups have joined together in various political activities.

Their major activity has been to petition publicly party leader Jiang Zemin and Qiao Shi, the head of the NPC, for reform. Though petitioning leaders resembles the Confucian practice of literati memorials to the emperor, the sponsorship of recent petitions by a coalition of high-level intellectuals and nonestablishment political activists makes their protest qualitatively different. This new political collaboration of disparate social groups resembles the political coalitions that eventually led to the 1989 revolutions in Eastern Europe.

The most publicized petition, issued on May 15, was signed by a group of China's most prestigious intellectuals, including scientists from the Chinese Academy of Sciences, former Red Guard political activists, and China's most famous student leaders. It urged an end to persecution for holding differing viewpoints and the release of those imprisoned for their political and religious beliefs, including Tibetans and Christians. In addition, it also called for a repeal of the designation of the spring 1989 demonstrations as "counterrevolutionary." The willingness of China's intellectual elite to join with nonestablishment political activists suggests that they now have a more realistic understanding of the need to work with other

social groups if China is to move in a democratic direction.

PARALLELS WITH TAIWAN AND SOUTH KOREA

Some of the changes under way in China today are reminiscent of the early steps toward democratization in Taiwan and South Korea. These two countries also began with multicandidate balloting, the election of nonofficial candidates, and a more open culture and media. Despite these similarities, important differences exist. While Taiwan's and South Korea's democratization demonstrates that there is no intrinsic cultural value or historical legacy that prevents China from becoming a democracy, China may follow a path that is longer and more twisted than its neighbors in reaching that goal.

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The 1989 protests in Beijing and in almost every Chinese city, during which massive numbers of people from all social classes joined the student demonstrators, revealed that China was becoming an increasingly pluralistic and restive society. But the crack-down that ended the movement showed how much of the autocratic Leninist political system remained intact. Deng had reinvigorated the economic reforms in 1992 by his symbolic trip through the special economic zones, but his purpose was not to expedite the political reforms, as some Western observers had hoped—it was, instead, to forestall the need to introduce them. Although economic reforms may gradually subvert the Leninist system, this does not necessarily mean that China will then move in a democratic direction.

There is no question that intellectuals and students today have more freedom to pursue their academic work, and that most people feel less restrained in their personal lives than even before June 4. Nevertheless, it is still risky to challenge the party and its leaders publicly and in an organized fashion. When former Red Guard Wei Jingsheng, imprisoned in 1979 for 15 years for questioning the party's willingness to reform politically and for calling Deng a dictator, expressed more moderate views just months after his release in 1993, he was reimprisoned. Recently released leaders of the 1989 demonstrations who signed the petitions have been continually harassed. While the elite intellectuals have not yet been detained by the authorities, they too have been questioned and some are under police surveillance.

Those former Red Guards who participated in the 1978-1979 Democracy Wall movement have been treated most severely. The persistent repression of intellectual dissidents, as well as independent trade union organizers and Tibetan and Christian religious leaders, shows that even this most modern of twentieth-cen-

tury Chinese governments will not countenance any political opposition and is determined to suppress any unofficial political organizing.

In South Korea, several opposition leaders (intellectuals, labor union leaders, and Christians) were also arrested early in that country's movement for democracy, but others were allowed to organize. Similarly, while some advocates of Taiwan's independence were imprisoned in the earlier decades of the Kuomintang rule, a few others continued to organize politically. Consequently, when these countries permitted competitive elections—South Korea beginning in the late 1940s and Taiwan in the 1980s—members of opposition parties were able to compete for office and gain political positions and dominance in certain regions. These elections may have begun as democratic façades to please South Korea's and Taiwan's American patrons or domestic critics, but in time they gained credibility.

In China there are eight small, supposedly "democratic" parties, but they are under the direct control of the Chinese Communist Party. Therefore, even if the Communist Party had stepped down in 1989, as the most militant protesters demanded, no independent organization or group of alternative leaders was waiting in the wings to replace it. And every effort to organize an alternative has been crushed by the party.

Equally important, China currently lacks the social preconditions for democracy found in its East Asian neighbors. While reforms in South Korea and Taiwan have produced greater social and geographic equality, China's reforms have led to increased inequalities, especially between China's interior provinces and coastal areas, and between workers in stagnating state industries and those in the dynamic non-state economy. In addition, South Korea and Taiwan began their reforms with nearly 100 percent literacy and maintained that level after the reforms were instituted; China's literacy rate has fallen in recent years as peasants have found it more beneficial to keep their children working on the farm instead of sending them to school. Moreover, while the bureaucracies in South Korea and Taiwan were filled with officials trained in the United States and Europe, China's Western-trained technocrats have barely penetrated the Communist Party's bureaucracy, now dominated by Soviet-trained leaders such as Jiang Zemin and Li Peng.

Taiwan and South Korea also were predominantly middle class societies. It is estimated that the emerging middle class in China already numbers about 100 million people. This new class could serve as the social base for China's democratic movement. Some members of the new middle class were active in the spring 1989 demonstrations. They ranged from the small vendors

who dispensed free refreshments to the demonstrators to Wang Rannan, the former president of the Stone Group, China's largest nonstate computer company. Wang provided the copiers, faxes, cellular telephones, and printers that fueled the demonstrations. In the late 1980s he had also funded a think tank that tried to introduce political reforms into China. But after the crackdown, he and his associates escaped abroad. Other members of China's new middle class have since turned away from political action and now devote themselves to making money. Some claim that they prefer the supposed stability of an authoritarian system, so long as they make money, to the uncertainties of a democracy.

While China's middle class is growing, it comprises less than 10 percent of the country's more than 1 billion people. Furthermore, it is quite different from the South Korean and Taiwanese middle classes. Although the South Korean and Taiwanese states play a much greater role in the economy than the state does in

Western nations, the middle class had some degree of autonomy even during the most authoritarian periods. In China, the 1949 revolution eliminated the autonomy of every group, including the middle class, as the party extended its control over all aspects of life. Even as China has moved to a semimarket economy, much of the entrepreneurial activity has occurred with the permission of party officials. Thus, the middle class is growing, but few of its members can function independently of the party.

Taiwan and South Korea also developed civil societies during their democratization. While the Chinese state has retreated from direct involvement in China's economic life

and the Chinese people now express themselves in many voices on a large number of issues, few of these voices can publicly express political ideas that diverge from the party line. Consequently, the key social forces that fostered democracy in Taiwan and South Korea, as well as in Eastern Europe, have not yet fully developed in China.

The forces opposing democratization in China remain strong. Although the revolutionary elders who are determined to maintain the party's Leninist structure are dying off quickly, a new conservative force—the elders' sons and daughters, and the economic and technocratic bureaucrats—wants to maintain its positions and interests at all costs. Like the elders, this group calls democracy a divisive force. Many took the neoauthoritarian side in the debates of the late 1980s, which called for China to maintain an authoritarian government as it developed a market economy; democratization would come only after the economic reforms had produced a relatively large middle class

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that could support such a government. Because this approach was associated with deposed party leader Zhao Ziyang and some of its advocates participated in the 1989 demonstrations, it was rejected after June 4.

The new conservatism has taken neoauthoritarianism's place. Its supporters are from the same social groups as the new authoritarians, and they too insist that China is not ready for democracy because it does not have a large enough middle class. But unlike the new authoritarians, who sought to decrease gradually the state's involvement in the economy and society, the new conservatives want to recentralize state control over the economy and the country—especially the richer, more independent southeast coastal region—in order to strengthen the regime's power and increase revenues. The decentralization and regionalization that have accompanied China's move to the market, however, may have progressed to the point that it is impossible to reimpose centralized control.

The regime and its ideologues have also increasingly emphasized nationalism. Antiforeigner, especially anti-American, sentiment was expressed openly by ordinary people as well as officials when China lost its bid in 1993 for the 2000 Olympics. As the vitality of Marxism-Leninism-Maoism has waned because of its association with the destructive policies of the Mao era, along with China's move to the market, and the worldwide decline of socialism, the regime is pushing nationalism and a Singapore-like Confucianism as unifying ideologies. The revival of Confucianism, however, may be a double-edged sword: While officials stress its authoritarian and hierarchical elements, some intellectuals see it as potentially supporting democratization because it calls for criticism of those who abuse power.

DEMOCRATIC BY DEFAULT

It is unlikely that the rule of a few old men can guarantee the stability that China's increasingly pluralistic society desires. Perhaps democracy's greatest attraction is that it provides procedures that can create a degree of order and predictability. When the current

collective leadership begins to encounter troubles—as it will—its superficial unity may disintegrate and chaos may threaten. Then its authority based on the promise of stability will be undermined.

Moreover, neither nationalism nor a renewed Confucianism is likely to hold China's diverse, decentralized regions together. A form of federalism may be the only political arrangement that can unite Beijing with its increasingly independent provinces—and effectively incorporate Hong Kong as well as Taiwan someday. Federalism, which is implicitly a representative form of government, may be the most feasible structure for maintaining Beijing's hold over its constituent parts.

Even more threatening to the party is the widespread anger with rampant corruption in the party and government bureaucracies. Although the leadership has launched campaign after campaign against corruption—including purging top leaders in the Beijing party government—the effect has been negligible. Legal action and exposure in the press may be the only ways to curb corruption and moderate social discontent. Perhaps nothing frightens a Chinese official more than chastisement in the press. Using the courts to defend individual rights and the media to expose corrupt officials will not necessarily produce an independent judiciary or a free press in China, but it may allow some protection for individual or group rights and may make the press more independent and critical of abuse of power.

Democratization may thus evolve in China not because of choice, but because of necessity. With a much larger, more pluralistic society, and with a more entrenched Leninist structure, it may take much longer for China to democratize than the several decades it took Taiwan and South Korea. Nevertheless, the possibility of the emergence of some form of democracy in China in the first half of the next century is not unrealistic. The shape Chinese democracy takes is likely to be different from than its neighbors. Already some of that shape may be seen in the political changes of the reform decade. But whatever form it takes, it will be uniquely Chinese. ■

In this May 15, 1995, petition addressed to President Jiang Zemin and the chairman of the National People's Congress, Qiao Shi, 45 Chinese intellectuals and scientists called for greater political tolerance and the release of the "counter-revolutionaries" imprisoned after the 1989 Tiananmen massacre. The petition was drafted by physicist Xu Liangying and signers included other prominent academics such as physicist Wang Ganchang.

The May 15 Petition

On December 20, 1993, the United Nations General Assembly passed Resolution 48/126, proclaiming 1995 "The United Nations Year of Tolerance" in order to commemorate the fiftieth anniversary of the founding of the United Nations and to promote the basic spirit of the aim of the United Nations: tolerance. Our country is a founding member of the United Nations and is a permanent, veto-bearing member of the Security Council. Thus it should conscientiously implement this resolution and allow the spirit of tolerance, with which our country is relatively unfamiliar, to take root and flourish in areas like our country's politics, thought, region, culture, and education.

Tolerance is a mark of human civilization, and is the foundation and precondition of modern civilization. In the West, enlightened thinkers realized the responsibility of tolerance during the long battle fought against the autocracy of rule by divine right during the Middle Ages. Those who obtained political authority thereafter did not follow the old route of autocratic monarchy, but formed governments on the basis of respect for the rights and freedom of individual citizens. They did not insist upon ideological uniformity, but tolerated different ideas, beliefs, customs, and behaviors, allowing minorities of people the freedom to hold and publicize opinions (whether political, religious, scientific, cultural, or other types) that diverged from the majority. It was because of this spirit of tolerance that competing schools of thought developed in science and culture, which gave rise to a flourishing intellectual scene that has persisted throughout the years. The kind of thinking that viewed "heterodoxy" as a great scourge upon the people and led to the public burning of Bruno and the arrest and persecution of Galileo was abandoned, and this type of great historical tragedy was not repeated.

Turning our gaze to our own ancient culture, an intolerance of dissenting voices has gone on for thou-

sands of years right down to the present day with no sign of weakening. In 1955, [the writer] Hu Feng and several of his companions were charged with the crime of "forming a counterrevolutionary clique" after they submitted a letter stating their view on literature and art. Over 2,000 others were soon implicated as well. In 1957 more than 11 percent of all the intellectuals in China (at least 550,000 people) who blindly responded to the [party's] call for a "rectification of work style and an airing of views" were labeled "rightists." The 10-year calamity begun in 1966, when a "revolution" in culture was staged, was an even greater national disaster during which dissent was completely wiped out. After 1978 the situation changed somewhat; false accusations were largely redressed, a more relaxed situation began to appear, and the economy began to develop rapidly. But a continued lack of tolerance, which is essential for modernization and "reform and opening up" in the true sense of those terms, resulted in the events of June 4, 1989—that human tragedy that shocked the world—as well as subsequent incidents in violation of citizens' basic rights.

To mark the United Nations Year of Tolerance, we should do our utmost to propagate this tolerance, which is necessary to modern civilization, and strive for the true implementation in our country of the United Nations goal to "promote and encourage respect for the human rights and basic freedoms of all mankind" as stipulated in the United Nations Charter.

Accordingly, we hope the authorities will:

- 1) Treat all views in such areas as ideology, political thought, and religious belief with a spirit of tolerance, and never again regard individuals of independent thought and independent views as "hostile elements," submitting them to repressive attacks, surveillance, house arrest, or even detention.
- 2) Re-evaluate the June 4, 1989, incident according to the spirit of "seeking truth from facts," and

The editors would like to thank Human Rights in China for providing this translation of the May 15 petition.

release those people who remain in jail for their involvement in this event.

- 3) Release all those who have been imprisoned for their thoughts, religious beliefs, or acts of speech, and boldly end the ignominious tradition of literary inquisitions that has persisted in our country since ancient times.

At the same time, we also hope that all of society will, out of respect for others, cultivate a spirit of tolerance, adopt an attitude of reason and fairness when dealing with any form of discord or conflict, use peaceful means to achieve personal ideals and aspirations, avoid sentiments fostering extreme contradictions, and guard against violent behavior. Only in this way will it be possible for our country to move steadily along the path toward democracy and modernization.

Of course, advocating tolerance does not mean maintaining an all-encompassing unity at the expense of principle, or failing to distinguish between true and false, good and evil. Nor does it mean indulgence of moral degeneration or threats to society. Tolerance is inseparable from the concepts of modern democracy, freedom, human rights, rule of law, and so on; these are all complementary to one another. Tolerance is the essential meaning of democratic government and the condition for political democratization. Tolerance

embodies a respect for human rights and freedom, yet is bounded by moral codes and law. Corruption has become a wind blowing through our country, and the trading of money for power, the embezzlement of public funds and other forms of corruption are found everywhere. We must do everything possible to remove and severely punish these thieves who are bringing disaster to the nation and its people. But it must be recognized that without the supervision of democracy, especially without the supervision provided by independent public opinion, corruption cannot be eliminated. The British historian Lord Acton pointed out as early as 108 years ago that: "Power corrupts, and absolute power corrupts absolutely." The 1789 French "Declaration of Human Rights" states even more clearly, "To ignore, overlook, or scorn human rights is the sole reason for human misfortune and corrupt government." This timeless truth should be commonly understood throughout our nation. To obtain tolerance, we must vigorously carry forward the current struggle against corruption that so deeply concerns our people.

The world needs tolerance; China needs tolerance. We hope that through the various events of the United Nations Year of Tolerance, the state of intolerance that has persisted in our country from ancient times through to the present will begin to change and that tolerance will gradually become the common spiritual wealth of our nation's people. ■

The Three Gorges Dam, hailed as the world's largest hydroelectric project, "is proof of the Chinese government's determination to inspire collective action for national goals in the face of advancing individual consumerism and 'poisonous bourgeois liberalism.' In China's despotic system, the dam demonstrates that the center is still in control."

The Three Gorges Project: Dammed if They Do?

BY LAWRENCE R. SULLIVAN

Three years after China's nominal parliament, the National People's Congress, approved its construction, the Three Gorges Dam on the Yangtze River remains a source of bitter controversy both in China and abroad. Slated to be the world's largest dam, it will take 17 years to build, will cost at least \$12 billion (with some unofficial estimates as high as \$100 billion), and will require the involuntary resettlement of more than 1 million people.

The dam will also dramatically increase water levels in the three scenic gorges—Qutang, Wu, and Xiling—and inundate 8,000 historical sites from China's Warring States period (475-221 BC) and earlier ancient cultures. Thirteen cities, 140 towns, and 1,352 villages will be submerged or partially submerged by a reservoir that will stretch 600 kilometers (equal in length to North America's Lake Superior), and cover over 1,000 square kilometers (621 square miles).

The dam, which will be over 1,900 meters wide (1.2 miles) and 185 meters high (607 feet), is designed to stop the floodwaters that for centuries have besieged the population living along the Yangtze. With an installed capacity of over 18,000 megawatts, it will also provide critically needed energy for China's inland central-southern region, opening up this relatively backward area to economic development and improved navigation along the Yangtze.

For environmentalists, the Three Gorges project presents a quandary. The dam will ease China's dependency on coal for three-quarters of its electrical needs and help reduce the country's emissions of carbon dioxide and other greenhouse gases (China is currently the world's second largest producer after the United States). The dam will also protect the middle and lower

reaches of the Yangtze from devastating floods, such as the one that occurred in 1954 that left 30,000 people dead and 1 million homeless. But it will also wreak massive ecological damage on the river and its environs—something even Lu Youmei, the head of the Three Gorges Project Development Corporation, admits is one of the three "big difficulties" confronting the project (the other two are population relocation and a shortage of funds). Despite the recent decision by China's National Environmental Protection Administration to set up a special network to monitor the ecological balance in the Three Gorges area, Chinese environmentalists, including renowned Beijing journalist Dai Qing, have joined their international counterparts opposing the project. Construction by over 10,000 workers continues, however, at a rapid pace.

POLLUTING THE GOOD EARTH

The environmental consequences of the Three Gorges project are many and varied. The conversion of the swirling waters and narrow chasms of the Three Gorges into a seamless reservoir that will rise over 175 meters (574 feet) above current water levels will inundate the narrow canyons and rapids, destroying the natural beauty for which the area is famous. The idea that humans can recklessly exploit nature in the process of development is still very strong among China's neo-Stalinist political leaders, such as the current prime minister and supporter of the project, Li Peng, and contributes to the government's almost total disregard for the country's dwindling natural scenery, of which the Three Gorges is among the most magnificent. Li's recent proposal to build "forest parks" on top mountain peaks in the gorges (soon to be reduced to foothills by the giant reservoir) is evidence of this fundamentally anti-environmental ethos at the top echelons of the Chinese Communist Party.

Plans to set up giant illuminated billboards (180 square meters, 591 feet in size) in Xiling Gorge to advertise China's growing alcoholic beverage industry

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are yet another indication of the low priority given to protecting the environment in the dam area. The government's recent decision to create a special economic zone around the dam site means that the serenity and overwhelming beauty of the gorges that have inspired Chinese poets and painters for over two millennia will become a thing of the past as the region gives way to a giant industrial edifice surrounded by the uncontrolled growth of boom towns like nearby Yichang City.

Not only the natural beauty of the area is threatened. As residents are relocated and logging is expanded to supply the Three Gorges project, deforestation will accelerate in the Yangtze basin and exacerbate flooding. Moreover, much of the land surrounding the dam site is susceptible to soil erosion and landslides; both problems will increase when those relocated to these surrounding areas start cultivating the land. And these, in turn, will cause an even greater buildup of sediment in the Yangtze than that created by the dam and its vast reservoir.

With a sediment load that is already the world's fourth largest, the Yangtze River will probably experience a serious buildup of sedimentation in the reservoir. This may actually *increase* the threat of flooding upriver around the Sichuan city of Chongqing, even as the threat of floods downriver decreases. If the dam planners underestimate the average granular size of floating sediment by as little as 10 percent, then the frequency of floods in Chongqing—the western terminus of the reservoir—will dramatically increase. Underestimating the size of the Yangtze's sediment load could also mean similar complications for other upriver cities. (Chinese critics of the dam claim that the computer models used by dam planners to make such estimates have consistently used flawed data in order to produce favorable test results.)

Changes in water chemistry and water flow could also wreak havoc on the downriver Jingjiang dike system (which, unless hardened, will undergo serious scouring by water releases from the dam). And reduced water flow because of the dam (and a planned south-to-north canal project) would suck seawater into the Yangtze estuary at Shanghai and increase salinization of the alluvial plain. Changes in Shanghai's soil com-

position could worsen the city's subsidence rate—which has already increased as a result of the construction and underground tunneling that began in the late 1980s.

Pollution and degraded wildlife habitats present more threats to the area. Contamination of the Yangtze by toxic chemicals such as mercury may dramatically increase if the 1,600 factories and many slag heaps along the proposed reservoir site are not thoroughly cleaned up and moved before the waters begin to rise. The rush by dam planners and political leaders to block the river by 1997—so China can celebrate the “double happiness” of damming the river and recovering Hong Kong in the same year—may prevent such an expensive clean up effort from taking place.

Species endangered by the dam include the Yangtze River sturgeon and alligator, the freshwater finless dolphin (whose numbers have recently diminished to around 300), the cloud leopard, and the Siberian white crane. Their upland habitats and feeding grounds in the Three Gorges region will be significantly damaged by the reservoir.

Finally, there is the possibility of a catastrophic failure in the integrity of the structure. Constructed of 26 million tons of concrete and 250,000 tons of metal plate, the dam will face a one-in-a-thousand chance of total structural failure. Recent revelations of a major reservoir failure in China's Henan province in 1975 have only heightened anxieties associated with building such a large structure in a country where quality control in the construction industry is wanting and expert opinion is often ignored.¹

Potential threats to the structure include earthquakes (induced by the weight of the water in the reservoir in an area that Chinese seismologists say is riddled with faults) and giant landslides from the huge—and apparently unstable—Huangla rock formation near the dam site.

BROOKING NO OPPOSITION

Environmentalists in China and abroad criticize the Communist Party for ignoring environmental considerations in deciding to build the Three Gorges Dam. They charge that the various “experts’ groups” that were assembled to examine the feasibility of the dam in the 1980s and early 1990s were packed with technically illiterate and politically subservient supporters of pro-dam party leaders. Well-known dam opponents in the environmental and scientific communities were systematically excluded from these consultative groups, especially after the June 1989 military crackdown, when they were removed from the decision-making process.² Their proposals for a series of smaller dams on the Yangtze's tributaries to generate electricity, greater reliance on water zone management and reforestation, diversion channels and basins, and dike construction in the middle Yangtze for flood control were

¹This tragic and previously unknown catastrophe that Chinese hydrologists had warned against, only to be ignored by government officials, is documented in Human Rights Watch/Asia, “Three Gorges in China: Forced Resettlement, Suppression of Dissent, and Labor Rights Concerns” (February 1995). A major dam collapse also occurred in the remote province of Qinghai in August 1993.

²See Dai Qing, *Yangtze! Yangtze! Debate Over the Three Gorges Project*, translated by Nancy Liu et al. (London: Earthscan Publications, 1994). Published in China in early 1989, this book helped mobilize opposition to the dam and contributed to the decision later that year to postpone construction. The book was banned after June 1989 for allegedly “contributing to the political turmoil in Beijing.”

never seriously considered in the policy deliberations that led to the NPC's April 1992 approval of the dam.

Prohibitions since 1989 on criticizing the dam in the party-run press have also blocked an airing of the many environmental concerns that construction and operation of the giant facility will bring about. Environmentalists believe that scientific data—such as the estimate on sedimentation—are not being objectively gathered to determine environmental policy; instead, policy decisions made at the top are driving and fundamentally distorting the collection and evaluation of data.

The prospect of upsetting the ecological balance along the entire Yangtze is also having little effect on the dam's construction. Direct administrative authority over environmental protection work in the dam area has been given to the Three Gorges Project Development Corporation—the very organization charged with building the dam. Last year local officials reported that they had somehow managed to “resolve in only a half day” several major environmental issues related to the dam project. Yet the arbitrary decision-making process in China that led to approval of the Three Gorges Dam may also bring about its sudden termination. In the 1950s Chinese dam builders constructed a hydropower project in Sichuan over the stern objections of the scientific community; in 1958, on the very day the dam was put on line, orders came down from the Central Committee to blow up the project.

AN UNSTOPPABLE MOMENTUM?

What is the likelihood that construction of the Three Gorges Dam can be stopped in the near future? With China's grassroots environmental movement severely weakened by the party, which considers all such movements politically “destabilizing” and a threat to its rule, there is little chance that a popular movement will emerge to disrupt the massive construction project. However, economic and political forces on the domestic and

international scene are creating severe problems for Three Gorges planners. The biggest headache is financial. The dam's escalating costs and China's inability to win international financing for the project from either public or private sources have placed considerable pressure on the project's economic viability. The government's announcement in mid-March that private foreign financing would be solicited by issuing bonds was quickly withdrawn evidently because of an unenthusiastic response from international lending institutions. And despite its promise of cleaner energy from renewable resources, the environmental impact of the

Three Gorges project has led international lending agencies, such as the World Bank, and major aid-giving nations, most notably the United States, to deny direct or indirect funding for the project.³

More generally, China's total public foreign debt of more than \$90 billion and unpaid obligations to foreign creditors have also cast a pall over plans for heavy foreign investment in Chinese infrastructure, especially in the power sector. Although construction of the Three Gorges project has been maintained by an infusion of government funds (including a recent loan of \$100 million in foreign exchange from the Bank of China), the central government's growing budget deficit and the recent decision to suspend many new power projects in order to reduce inflation have brought renewed financial pressure on the project. This pressure will only intensify if the Three Gorges falls drastically behind schedule—like so many other huge projects in China. And even as the government pro-

motes a nationwide campaign to raise funds for the project, the loss of central control over the provinces has denied the dam the resources that were previously available to the government for financing such projects.⁴

Politically, the Three Gorges project may also fall victim to the succession struggle that is already beginning to unfold in anticipation of the death of China's paramount leader, Deng Xiaoping. If it is true that the dam is, as Dai Qing asserts, the “pet project of the red emperor,” then Deng's passing from the scene may open up its construction to renewed political infighting, especially if Deng's death occurs before the blocking of the river in 1997 (after which time a reversal of construction will be more costly, though not impossible). Major dam supporters—especially Prime Minister Li Peng—are also considered politically vulnerable in a post-Deng political shakeup that may return to power leaders less committed to such huge and costly

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³China refuses to submit the project for World Bank consideration because of opposition on environmental grounds by member nations. This March the United States cited major environmental concerns in deciding not to permit indirect financing of the dam through Export-Import Bank loans for American companies involved in the project. Canada, however, may relent on previous opposition to the dam and provide technical and financial support for population relocation.

⁴Efficiency-minded Guangdong province in China's economically vibrant south has apparently refused to help finance Three Gorges. Instead, it is financing construction of hydropower facilities in the southwestern province of Yunnan that are scheduled for completion in only five years.

projects, such as former party General Secretary Zhao Ziyang.

Despite the current pro-dam environment, many leaders have shown lukewarm support for the project, indicating that the pro-dam coalition may be quite shaky.⁵ The prospect of social unrest among the vast numbers of people to be relocated—and recent strikes by the labor force and discontent over low wages among engineers at the site—could also bring about a reconsideration of the project by a regime that is increasingly obsessed with maintaining social and political “stability.”

Support for the dam, however, remains strong and, in the absence of dramatic changes at the top leadership levels, will make its termination increasingly difficult as construction proceeds. In addition to the inevitable problems of stopping any project once begun, powerful bureaucratic interests in China, especially the Yangtze Valley Planning Office and the Ministry of Water Conservancy, are steadfastly behind the project in what Patrick O'Reilly of the London School of Oriental and African Studies sees as a concerted effort by Beijing to break provincial-level control of China's power-generating capacity. By creating the Three Gorges Project Investment Fund and granting the project high priority in the capital construction budget, the government seems willing to provide whatever funds are necessary to finish the project.

New economic and political interests in support of the project have also been created in the dam area by government expenditures on industrial plants, highways, airports, commercial outlets and even new apartments for local residents. While project losers (farmers, small shopkeepers, local minority groups such as the Tujia) may outnumber local winners (construction workers, government bureaucrats, private entrepreneurs), the latter are concentrated in the more politically powerful towns and cities that increasingly dominate China's political landscape. In this inland

region that has not generally benefited from China's economic reforms, construction of the Three Gorges Dam is hailed as the central magnet for China's development.

The project's momentum has also been spurred by the leadership's decision to link the dam to emotionally appealing themes in Chinese nationalism. National pride is hard to resist, particularly in a country that was bullied and exploited by foreigners for over a century and now must constantly prove itself on the international scene. “The Three Gorges,” Li Peng has boasted, “will show the rest of the world that the Chinese people have high aspirations and the capabilities to successfully build the world's largest water conservancy and hydroelectric power project.” Since considerable opposition to the project has come from abroad, dam opponents in China are easily cast as tools of foreign interests.

Although difficult for outsiders to understand, China is still gripped by a Great Leap Forward mentality—Mao Zedong's ill-conceived project in 1958-1960 to catch up with the West. This mindset inspires support for the most extravagant plans to achieve international prominence irrespective of the economic or human costs. Proponents of the dam are identified with the power and glory of the Chinese nation; opponents with the views and professional judgments of the easily maligned “foreigner.” The Three Gorges Dam is proof of the Chinese government's determination to inspire collective action for national goals in the face of advancing individual consumerism and “poisonous bourgeois liberalism.” In China's despotic system, the dam demonstrates that the center is still in control.

China paid dearly for its mistakes in the past. The famine provoked by the Great Leap Forward cost between 30 million and 40 million lives. The 1975 Henan reservoir disaster left over 200,000 dead. Supporters of the Three Gorges argue that the project could save equally large numbers of people from the catastrophic floods that have periodically ravaged the Yangtze, generate electricity from a renewable resource, and open up inland ports to increased navigation. Many Chinese and international environmentalists and foreign governments do not agree. But so far their voices are not being heard. ■

⁵Sichuan's governor, Xiao Yang, and the current minister of electric power, Shi Dazhen, plus many military leaders, have periodically hinted at reservations, though obliquely, about the project.

"Political harmony does not necessarily follow economic interdependence. In the case of Greater China, economics and politics have separate logics that are sometimes mutually interactive but more often are divisive." Can economic magnetism overcome political polarity?

Greater China: The Ties That Don't Bind

BY GEORGE T. CRANE

We know that China is large, and that it is the world's most populous country. It is, however, bigger than we usually imagine. Chinese culture is global, practiced in a variety of locations—the People's Republic of China, Taiwan, Hong Kong, Macao, Singapore, and in overseas Chinese communities—and it is beyond the reach of any single government.¹

Political control over the cultural realm of "China" is divided at least in two, between the People's Republic and Taiwan, and can be divided even further if we accept Singapore's attempt to refashion itself as a Confucian polity, or the desire of some Hong Kong democrats to maximize their political autonomy, or the possible disintegration of central political control in mainland China itself. Moreover, inter-Chinese economic relations have created the most dynamic growth in the world economy in recent years. These large, transnational Chinese economic, political, and cultural interactions are what is denoted by the term "Greater China."

Hong Kong is generally seen as the crossroads of Greater China, because it is the primary intermediary between the People's Republic and Taiwan. Some observers include Singapore, the overseas Chinese of Southeast Asia, or even the worldwide Chinese diaspora in their definitions of Greater China.²

The narrower geographic perspective, focusing on the mainland China-Hong Kong-Taiwan nexus, is sufficient, however, to illustrate the simultaneous cen-

tripetal economic pull and centrifugal political push of Greater China. Hong Kong is already fully integrated with the mainland economy, but its return to Chinese Communist political control in 1997 may come at the cost of large-scale emigration as wary residents leave for freer, more predictable political systems. Taiwan is becoming more closely tied to mainland China's economy each year, but the chances for political reunification seem no better now than at the height of their isolation. It would seem that the politics of Greater China is not determined by its economics.

THE ECONOMIC MELTING POT

The interconnectedness of assorted Chinese societies began in 1978 with mainland China's economic reform. The policy of "opening to the outside world," coupled with the rejection of Maoist priorities, redefined the political economy of East Asia. Before, Japan had been the unrivaled regional hegemon—by far the largest, most industrially advanced economy. Japanese investment flowed into Taiwan and South Korea, creating transnational production lines that sent goods back to Japan and other markets around the world. East Asian economic success revolved around Japan, but as Taiwan and South Korea grew and local production costs increased, their national firms, flush with accumulated capital, began to search for investment opportunities abroad. Japan, with its even higher rents and wages, became an uneconomical location. It was at this point that the People's Republic opened its economy for foreign investment and export promotion, creating a new locus of economic activity.

Hong Kong was the first to take advantage of the mainland's new policy, which was designed to attract capital from nearby overseas Chinese communities. Special Economic Zones (SEZs) were created in Guangdong and Fujian provinces. In the largest SEZ, Shenzhen, just across the border from Hong Kong, overseas investors enjoyed tax holidays, revised labor laws, trade preferences, and other incentives. In addition, the

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¹See Tu Wei-ming, "Cultural China: The Periphery as the Center," *Daedalus*, vol. 120, no. 2 (Spring 1991).

²Harry Harding, "The Concept of 'Greater China': Themes, Variations and Reservations," *China Quarterly*, no. 136 (December 1993), pp. 661-664.

Hong Kong businessperson shared a common language, Cantonese, and familiar customs, further facilitating business alliances. Even small-scale manufacturers could comfortably hop across the border, establish a new production facility, export their goods through Hong Kong, and profit handsomely. Hong Kong's *laissez-faire* commercial policies allowed trade to move briskly in and out of the mainland. Hong Kong immediately became a major trading center and mainland China's leading investor—a position it has held for the last 15 years.

The Hong Kong–mainland China connection is not as straightforward as it seems. Some of the trade and investment—it is impossible to determine the amount precisely—that moves from Hong Kong to the People's Republic originates elsewhere. For example, Taiwanese capital was heading into the Shenzhen SEZ via Hong Kong in the early 1980s, hidden by front corporations and discreet bankers. Most trade between Taiwan and the mainland transits Hong Kong, some of it declared and some not. Even murkier is the flow of money from mainland China into Hong Kong, which is used to finance projects back in the mainland while still benefiting from the preferences and higher profits that derive from “foreign investment.”

Because of Nationalist Party restrictions, Taiwanese traders and investors could not move directly into the mainland's opening markets. Although large and small businesses in Taiwan were hurt by rising production costs in the early 1980s (made worse by an appreciating currency), direct trade and investment in the People's Republic were banned. The prohibitions gradually eased, starting with modest changes in trade policy in 1984 and reaching a turning point in 1987, when travel to the mainland was permitted; this allowed Taiwanese businesspeople to find new opportunities for Hong Kong-facilitated mainland ventures. Indirect trade and investment grew accordingly. In 1978, two-way Taiwan-mainland trade totaled \$47 million; by 1988 this figure had reached \$2.7 billion. That same year, Taiwanese investors had committed about \$500 million for ventures in the People's Republic.

In the 1990s the flow of Hong Kong and Taiwanese trade and investment into the mainland has swelled to a torrent. Inspired by earlier pioneers' prosperity and the Communist government's resolve to maintain economic reform and growth, more and more businesses want a stake in the China market. The 1989 Tiananmen massacre did little to ward off eager entrepreneurs: planned investment in the mainland from Taiwan reached approximately \$1 billion in 1990. By 1994, Hong Kong and Macao accounted for \$20.2 billion (60 percent) of the \$33.8 billion total actual foreign direct investment in the People's Republic, followed by Taiwan, with \$3.39 billion (10 percent). The third largest investor in the mainland in 1994 was the United States with \$2.49 billion (7 percent). This March, Hong Kong

replaced the United States as the leading destination for Taiwan's exports; this too, signals mainland China's growing importance to Taiwan, since this is where most Hong Kong-bound goods ultimately go. Total Taiwan-mainland trade soared 20.1 percent to \$16.5 billion in 1994, and is expected to reach \$20 billion this year.

It is clear that the People's Republic, Hong Kong, and Taiwan are becoming economically interdependent: the mainland relies on investment from the other two to fuel its double-digit growth; Taiwanese firms need the mainland's lower cost labor and growing consumer market to maintain production and exports; and Hong Kong benefits tremendously as the middleman. This situation, however, worries Taiwan's leaders, who fear that economic dependence may someday become a political disadvantage. It also distresses conservatives in the People's Republic, who see “socialism” slipping away. For the present, however, the economic symbiosis has its advantages for all three parties, creating an area with the world's most dynamic economic growth.

Greater China has become an economic force of global significance. Greater China is not, however, a formal economic organization like the European Union or the North American Free Trade Area. Fundamental political differences—especially between mainland China and Taiwan—will hinder institutionalization. Although negotiations between quasi-official organizations such as the Straits Exchange Foundation (SEF) from Taiwan and the Association for Relations Across the Taiwan Straits (ARATS) from mainland China have taken place periodically since 1993, even the most basic issues are confounded by the lack of mutual diplomatic recognition. Greater China is an informal economic grouping and political circumstances suggest that it will remain so.

THE POLITICAL STANDOFF

Thus, political harmony does not necessarily follow economic interdependence. In the case of Greater China, economics and politics have separate logics that are sometimes mutually interactive but more often are divisive. The economic game is based on capital-rich, resource-poor Taiwan and Hong Kong complementing the labor- and resource-rich mainland, a process facilitated by cultural and linguistic affinities and geographic propinquity. The political game is quite different. It is rooted in contending sovereignties, historical animosities, and increasingly diverging governmental practices—factors that have thus far not been significantly transformed by economic interdependence.

The People's Republic and Taiwan remain bound up in the legacy of civil war. Mainland China claims Taiwan as its possession, a province that slipped away from its control while under American protection in 1950. Although the People's Republic has not taken any direct military action to regain Taiwan, it also has not renounced the right to use force to do so. The Nation-

alist government on Taiwan was constituted on the right to rule all of China, but in recent years has settled into a policy of demanding political transformation on the mainland before reunification. Taiwan is fairly comfortable with the ambiguous status quo of quasi independence, under which it has continued to thrive economically. Because existing conditions contradict its assertion of sovereignty, Beijing does not share in this comfort. It would consider a formal declaration of Taiwan's independence a loss of sovereign territory that would require a forceful response, a position it underlines with regular military exercises in the vicinity.

A cold war continues between Taiwan and mainland China, one perhaps more profound than that between the United States and the Soviet Union since it is not based on diplomatic recognition. Before 1993 the two sides would not meet or negotiate at all. The talks that have occurred, at arm's length through semiofficial organizations, have floundered on the most mundane topics. Discussions this January between the SEF and ARATS over fishing disputes broke down because "territorial waters" could not be defined in the absence of mutual recognition.

Moreover, since 1986, Taiwan has gradually democratized, permitting the emergence of a robust opposition, the Democratic Progressive Party, or DPP. Elections are now competitive and the legislature has become a forum for genuine debate (and the occasional fistfight). This democratization has widened political differences with the mainland in several ways.

First, the DPP has pursued a strategy of mobilizing "native" Taiwanese (those whose families lived on the island before and during Japanese colonization between 1895 and 1945) against "Mainlanders," who arrived after 1945 with the Nationalist Party and identify closely with the China they left behind. This has created a discourse of "self-determination" and a Taiwanese political identity detached from China proper. Calls for Taiwan's independence follow logically.

Second, democracy has changed Nationalist Party politics. Nationalist legitimacy used to rest on the party's claim to rule all of China, which also served as a rationalization for authoritarianism. As Taiwan has developed economically and liberalized politically, the Nationalists have had to focus their attention on the particulars of the Taiwanese to win elections. Development and democracy are now invoked to legitimate the Nationalist government, which no longer needs to make implausible promises of retaking the mainland.

Third, Taiwanese democracy directly challenges conservatives in the People's Republic (and Singapore)

who argue that liberalism is alien to Chinese society, a Western invention incompatible with Confucian communitarianism. As democracy deepens in Taiwan, the political disparity with the authoritarian mainland Chinese state widens.

Finally, democracy in Taiwan has created public procedures to transfer political power: elections, though still vulnerable to corruption, determine leadership succession. Although the Nationalists continue to dominate national politics, they have lost elections and have ceded some power as a result. Wider and more meaningful participation is supported by a robust civil society and a profusion of interest groups and social movements. This stands in stark contrast to the mainland, where the foundations of civil society are just emerging and where a succession crisis is imminent with the death of paramount leader Deng Xiaoping.

Popular mistrust of mainland China runs high in Taiwan. Last March, 24 Taiwanese tourists on a boat cruise on Qiandao Lake in Zhejiang province were robbed and murdered; this sparked widespread anger in Taiwan that the mainland's secretive and suspicious handling of the affair only inflamed. Three months later, a poll revealed that the percentage of Taiwanese supporting unification with the mainland had dropped from 27.4 percent to 20.8 percent. A war scare swept the island later in the year in response to speculation over the post-Deng political situation. Most Taiwanese are wary of social disorder, political instability, and military power across the strait.

The political differences between the People's Republic and Taiwan have thwarted efforts to improve diplomatic relations. In a speech this February, President Jiang Zemin proposed a meeting with Taiwanese President Lee Teng-hui "in an appropriate capacity," leading some analysts to predict a summit by the end of the year. Relations seemed on the verge of a historic breakthrough when President Lee's June visit to the United States brought it all crashing down. Lee's trip was anathema to the People's Republic, which saw it as validating the division of Chinese sovereignty. In retaliation, the People's Republic postponed high-level talks between the SEF and ARATS that had been scheduled for July; political relations are once again at an impasse.

RECONCILIATION?

If economic ties between the mainland and Taiwan continue to expand, will political ties eventually be transformed as well? Perhaps, but domestic political change in both is required. A democratizing Taiwan needs a larger constituency that supports accommoda-

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tion with the People's Republic and a cosmopolitan business class with stakes in the mainland trade and interests in political compromise. Identity politics on the island, however, complicate matters.

The most ardent voice of Chinese nationalism in Taiwanese politics today is the New Party, a splinter party of the Nationalists; it appeals to mainlanders with family roots across the straits. Most native Taiwanese (about 85 percent of the population) support the DPP with its independence platform, or the Nationalists, led by President Lee and Prime Minister Lien Chan (both native Taiwanese). The Nationalists are not pushing for early reunification; President Lee has even been accused by Mainlanders in his own party of leading Taiwan toward independence, an exaggeration to be sure. Many native Taiwanese businesspeople, who want stable and predictable relations with the People's Republic and protection of their profits and property rights, worry that a declaration of independence would provoke Communist military action. A significant number therefore gravitate toward the mainstream Nationalists, who simultaneously address Taiwanese identity and take a prudent stand on relations with the mainland.

If Taiwanese politics are not moving in the direction of political convergence, neither are politics in the People's Republic. Although President Jiang appears well positioned to oversee the continuation of technocratic, one-party rule based on a coalition of coastal bureaucrats (which bodes well for Taiwan), a conservative backlash by more ardent nationalists and the leaders of poorer provinces remains a possibility. Provincial disaffection with Jiang was evident at the National People's Congress in March, when, in an unprecedented repudiation of central state prerogative, one-third of the delegates rejected one of his candidates for deputy prime minister. If economic losers—employees of state-owned enterprises, poor peasants, and inflation-strapped elders—are inspired by such assertiveness, they could form a constituency for a nationalist program that would blame outside forces, Taiwan included, for the uglier aspects of the mainland's reform process: rising crime, corruption, and inequality. In the tumult of the post-Deng succession, Jiang could be undermined by skillful rivals or forced to take a more militant stance on Taiwan. The military, an unpredictable political player, rehearses regularly for this eventuality.

In any event, the People's Republic and Taiwan have not moved closer together politically—in fact, they may be moving further apart. As the ideology of reunification fades in Taiwan and the tide of materialism sweeps over the mainland, we might predict that territorial politics will gradually wane. But the initial conditions for smooth integration are absent; basic

questions of sovereignty and independence are contested, which produces dangerous politics that could destroy the economic vitality of Greater China.

ABSORBING HONG KONG

Hong Kong, the third central element of Greater China, also faces a potentially turbulent future. The retrocession to mainland sovereignty in 1997 is certain, but the smoothness of the transition is in doubt; if Hong Kong declines into political repression, bureaucratic inefficiency, and corruption, then traders and investors might look elsewhere for a more predictable and friendlier business environment. The heart of Greater China could be stifled by political mismanagement.

Two types of political change are unfolding in Hong Kong: top down and bottom up. At the top, British Governor Chris Patten introduced a program of political reform in 1992 that institutes new democratic practices: expansion of the franchise, the creation of more direct elections, and the strengthening of the legislature. The mainland has staunchly rejected these reforms and is putting together a shadow government to dismantle the present system and redefine political institutions after 1997. The stalemate has stalled official business, including the letting of contracts for major construction projects, and has thwarted attempts to ensure some level of continuity between British and Communist rule.

From the bottom up, Hong Kong society, long known for political quiescence born of its "borrowed time, borrowed place" ethos, has begun to mobilize. Shocked by the 1989 Tiananmen massacre, the city witnessed its largest demonstrations ever that year. Skepticism about Chinese Communist rule rallied voters behind the United Democrats in the 1991 legislative elections, which swept reformers and liberals into office. The politics of Hong Kong democrats directly challenges the authority of the Communist Party. On the other end of the political spectrum, pro-China activists have formed the Democratic Alliance for the Betterment of Hong Kong, or DAB. In elections for local district boards last year, the DAB ran against the Democratic Party, a reorganization of the United Democrats and another group, Melting Point, and emerged with only 17 percent of the seats; the Democratic Party took 32 percent and independents carried the lion's share of 48 percent. Although most independents are sympathetic to the DAB, liberals are expected to run well in elections this September for the Legislative Council, the highest parliamentary body in the colony. Competitive politics is emerging in Hong Kong. Political coalitions are taking shape in which "capitalists have a tendency to ally with communists, middle class professionals are said to favor the democrats, and organized labor is clearly divided between the two."³

The People's Republic is trying to placate entrepreneurs with promises of stability while threatening the

³Suzanne Pepper, "Hong Kong in 1994: Democracy, Human Rights, and the Post-Colonial Order," *Asian Survey*, vol. 35, no. 1 (January 1995), pp. 57-58.

middle class with political exclusion when British-designed institutions are dismantled after 1997. It is a dangerous strategy that could yield a bureaucratic-authoritarian regime that protects capital accumulation but risks significant costs if mishandled. If the mainland represses democrats too harshly, revoking political freedoms and limiting civil rights, it could face a mass exodus. It is estimated that upward of 1 million Hong Kong residents will have secured "rights of abode" (resident alien status) in other countries by 1997 and are ready to exit if the going gets rough. The People's Republic could be left with a Hong Kong missing the people who make it the vibrant center of global capital that it is.

Hong Kong may well weather the transition to Chinese sovereignty without losing its economic vitality, but political upheaval could spark capital flight if investors lose confidence in the face of large-scale emigration and seek out safer harbors for their business. Taiwanese entrepreneurs might then be scared away from the People's Republic, worried that the demise of Hong Kong could be their own future. Greater China has not encountered these problems so far; as has been seen, trade and investment between Taiwan, Hong Kong, and the mainland has boomed in recent years, in spite of political tensions. As with Taiwan, fundamental issues of sovereignty and politics, which appear relatively autonomous from economic forces, could produce less salutary results in Hong Kong and Greater China.

COMING TOGETHER, FALLING APART

The major question concerning Greater China is whether economic cooperation will ultimately outweigh political confrontation, or vice versa.

Taiwan, Hong Kong, and the People's Republic have grown together into the world's most dynamic economic combination in recent years, but deep political differences remain and threaten future trade and investment. Politics has been kept far enough at bay to allow for explosive economic growth, but it is far from certain that this can continue indefinitely. A Taiwanese move toward more formal independence, a crackdown by the mainland on Hong Kong democrats, or a conservative ruling coalition in the post-Deng period are only some of the situations that could escalate political tensions and scatter entrepreneurs to other shores.

Conversely, improved living standards for some residents of Greater China could defuse territorial controversies. Moreover, if central control in the People's Republic continues to slip to the provinces, then maybe Guangdong, with closer cultural ties to Hong Kong, and Fujian, the ancient homeland of many Taiwanese, will find avenues of political cooperation with the other elements of Greater China. Ironically, fuller integration of Greater China may require greater political disintegration of China proper.

Whatever the outcome, the political economy of Greater China is not likely to follow the path of other integrating regions. The European Union and the North American Free Trade Area cannot be used as models for Greater China because they are organizations of mutually recognized independent states. Other divided nations such as Germany and the two Koreas are also inadequate models. German separation was embedded in United States-Soviet relations, and the two Koreas cooperate more politically (mutual admission to the UN), albeit less so economically. Greater China is *sui generis*, with a history and politics that make for a simultaneously dynamic and fragile economic community. ■

"Most foreign investors are in China because of long-run (30 years and more) profit considerations that center on the promise of a market of perhaps 2 billion consumers. The record of the past 16 years suggests that this promise may not be an illusion."

All That Glitters? The Foreign Investment Boom

BY JAN S. PRYBYLA

China's spectacular economic takeoff has been propelled by two engines: domestic and external marketization. The latter, known as the policy of "opening-up," has three main components: trade (\$20 billion in 1978, \$237 billion in 1994); external loans (\$4.5 billion in 1980, \$11.2 billion in 1993); and private foreign direct investment (FDI).

Contracted (or committed) FDI is a useful indicator of how foreign investors view an economy's prospects, especially their rating of risks. Actual FDI is the translation of that assessment and commitment into tangible plant, equipment, technology, and other productive assets following contractual negotiations, which in China's case always involve Chinese government agencies at the central, provincial, municipal, special economic zone, and, occasionally, lower administrative levels—an often lengthy and arduous process. Of the three components of external marketization (trade, credits, and FDI), the last has been the most critical in helping lift the Chinese economy rapidly off the ground.

The decision to abandon the autarkic policies of the 1960s and 1970s was embodied in the July 1979 "Law on Joint Ventures Using Chinese and Foreign Investment" and in several laws and regulations promulgated thereafter.¹ Total FDI in China in the 13 years between 1979 and 1991 came to \$51 billion contracted and \$26 billion actual, with an average of \$1.2 million committed per contract. Total FDI in the 3 years between 1992

and 1994 was \$251 billion contracted and \$72 billion actual, with an average of just under \$1.4 million committed per contract. The average annual actual inflow of FDI over the entire period between 1979 and 1994 was \$6.1 billion. Contracted and actual FDI in 1993 alone amounted to \$111.4 billion (more than the total contracted in the 14 years between 1979 and 1992) and \$27.5 billion, respectively, with an average \$1.3 million committed per contract.

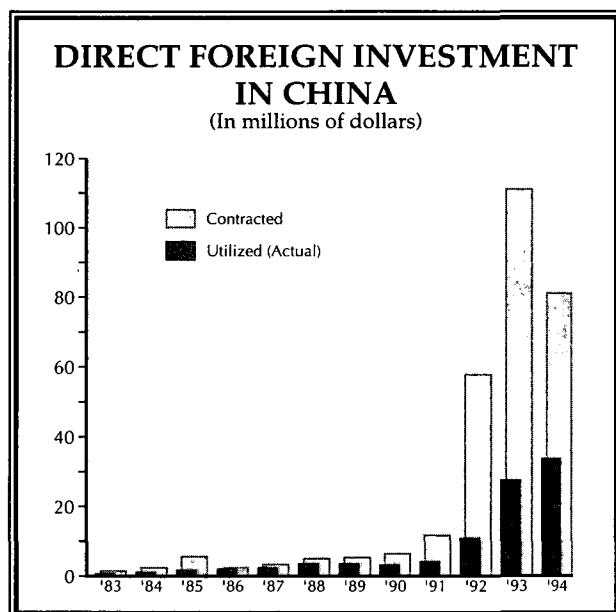
Contracted FDI last year declined to \$81.4 billion, reflecting increased hesitation on the part of potential foreign investors due to a variety of causes, some temporary, others structural. These included uncertainty surrounding the imminent political transition; a long-term, largely structural inflationary trend (urban inflation has been running at an officially understated average annual rate of 26 percent between 1982 and 1994, and 26.6 percent in the fourth quarter of 1994); large and rising intercompany debts of \$70 billion (equivalent to 30 percent of industrial output); apprehension about the future FDI regulations, especially the imposition of equity caps and upper limits on returns from foreign investments in key growth industries such as transportation, telecommunications, power generation, electronics, machinery, automobiles, construction, and financial services; and bureaucratic interference, often verging on extortion, that has plagued foreign investors in the past and shows no signs of abating. Despite all this, actual FDI in 1994 rose to nearly \$34 billion, the highest yearly figure ever.

In 1994 China received 17 percent of the world's total foreign direct investment and the lion's share, one-third, of all FDI going to developing countries. The only country that attracted more FDI than China was the United States. Of the 15 developing countries that attracted the most FDI between 1988 and 1992, 8 were in East and Southeast Asia; China was the largest recipient.

American investors did not arrive on the scene until after the normalization of United States-China diplo-

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¹Two informative sources are Richard Pomfret, *Investing in China: Ten Years of the Open Door Policy* (Ames: Iowa State University Press, 1991); and *The China Business Review*, May-June 1995.



Sources: *Zhongguo Duiwai Jingji Maoyi Nianjian*, Ministry of Foreign Trade and Economic Cooperation; *Beijing Review*, March 20-26, 1995, p. v.

matic relations in 1979. Of the \$2.7 billion in foreign direct investment utilized between 1979 and 1983, Americans contributed just \$18 million, or 0.67 percent. Except in 1985, when Armand Hammer's Occidental Petroleum committed itself to a \$700 million project to develop an open-pit coal mine in Shaanxi province, annual contracted American investments in China have been in the \$250 million to \$300 million range. In common with other foreign direct investment, American contracted investment rose sharply between 1992 and 1994, peaking in 1993 at \$3.1 billion (\$2 billion actual). Like other FDI, contracted United States investment declined last year to \$4.7 billion, with actual investment of \$1.9 billion remaining roughly the same as in 1993, or about 6 percent of total FDI.

Of the cumulative contracted FDI between 1985 and 1994, Americans contributed 6 percent, Japan 4 percent, and Germany 2 percent. About 13 percent came from areas other than Hong Kong, Macao, and Taiwan. For those interested in the linkage between foreign direct investment and human rights, 84 percent of American investment materialized between 1990 and 1994, after the Tiananmen Square massacre on June 4, 1989, "normalized" the sociopolitical situation in China. The relevant proportions were 85 percent for Japan, 87 percent for Germany, 92.5 percent for Hong Kong/Macao, and 96 percent for Taiwan. Among the rapidly growing numbers of post-Tiananmen newcomers have been South Korea and Singapore.

THE HUAQIAO

The unique aspect of FDI in China is the large-scale commitment of "overseas" Chinese—the Chinese diaspora or *huaqiao*—to China's development. The primary reason is the investors' material self-interest, but other

motivations—among them cultural affinity, language facility, family connections, and aptitude in working the bureaucratic relations network (*guanxi*)—are also important. Of the \$293 billion in cumulative contracted FDI in China from 1985 through 1994 (from 1987 in the case of Taiwan), nearly \$220 billion, or 75 percent, came from Hong Kong, Macao, and Taiwan Chinese. However, Taiwan capital going to China is significantly undercounted. Some of it goes to China directly, unregistered. Much of the rest passes through Hong Kong and is probably included in the Hong Kong figures. In fact, were the counting done right, it would show that today Taiwan is the largest foreign investor in China.

The uniqueness of overseas Chinese investment in China consists in its massiveness and persistence despite political and ideological differences between China and many (but not all) of the *huaqiao* venture capitalists, the occasional rough treatment meted out to them by the Communist authorities, and the fact that two-fifths of Taiwan-funded firms are not turning a profit (although that may simply reflect tax discretion on the part of the reporting firms).

Until recently the bulk of Hong Kong/Macao and Taiwan money went into market-driven, labor-intensive, export- and consumer goods-oriented, highly mobile industries of intermediate technology: shoes, garments, consumer electronics, toys, leather goods, and such. In short, it has gone into industries no longer internationally competitive when located on Taiwan or in Hong Kong because of comparative land and labor prices, and a growing environmental awareness and enforcement of relevant regulations with associated costs to the individual manufacturer (Taiwan). This particular sectoral concentration also accounts for the relatively small size of FDI per contracted project: \$1.4 million between 1979 and 1994. But things are changing as more multinationals and conglomerates from outside "Greater China" (as well as some large firms from Taiwan and Hong Kong) get into the act. The emphasis is on shifting to large, longer-term, capital-intensive, technologically sophisticated, domestic market-oriented, infrastructural construction projects in energy, transportation, telecommunications, raw materials, and agriculture.

Hong Kong has served China well in other respects. It has been the principal conduit for China's exports: roughly three-quarters of the goods imported by Hong Kong from China are reexported, much of that to the United States. Hong Kong has also been a provider and teacher of international marketing arts and sophisticated financial skills, which China still lacks after decades of socialism. Less constructively, Hong Kong is the place where Chinese elites and well-connected Chinese corporations launder their money before it is sent on to safer havens.

PUTTING A SQUEEZE ON INVESTMENT

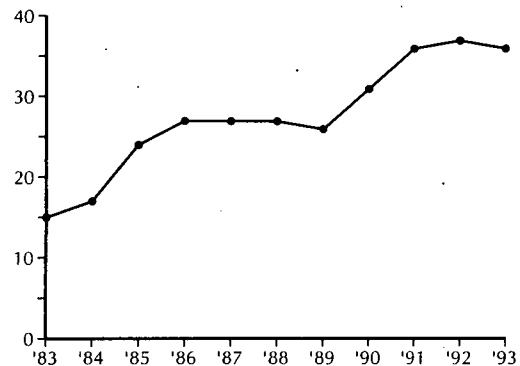
As real incomes rise and the underlying nature of China's economy asserts itself, it has become increasingly clear that while important foreign direct investment is likely to remain, its *relative* importance as one of the driving forces of the country's economic growth will decline. In anticipation of this, it is rumored that China's policymakers intend to move from come-and-get-it investment promotion to more discriminating (and discriminatory) investment management.

The current reappraisal of official attitudes toward foreign investment, especially in what are described as "strategic" sectors that include most of the infrastructural undertakings mentioned earlier, is indicative. There is talk of imposing limits on foreign ownership of such "sensitive" segments of the economy ("equity caps" of from 30 to 49 percent), maximum returns on foreign investment (already attempted in some large energy projects), export targets and local content requirements (much in evidence in the foreign-invested automobile industry), and research-and-development imperatives.

It is unclear whether the central government will be able to implement such protectionist measures in the face of provincial and other local authorities' investment hunger and growing assertiveness. Since the reforms began, the center's ability to collect taxes from the regions, particularly from the more affluent ones, and to control national expenditures, the banking system, and the money supply, have been weakened. In 1994, for example, despite the efforts by the center to rein it in, the general money supply (M2: cash + demand deposits + small time deposits) rose 34 percent (it rose at an annual average rate of 29 percent from 1990 through 1994). This is dangerous, even with real GDP growth averaging 9 percent a year.

In addition to uncertainty about the government's future foreign direct investment policy, there are more immediate problems for foreign investors. These include tight housing, astronomical rents, heavy social welfare obligations to employees, training costs, rudimentary health care for expatriates, job-hopping, "treats" and "considerations" for officials and their relatives, inflation, capricious interpretations of laws and regulations, the yuan's inconvertibility, widespread piracy of foreign intellectual property by Chinese firms—and this is just the short list. Attempts to solve some of these problems, such as pirating, have been ineffectual. For example, a month after being closed down by the central government as part of a deal with the United States to help avert a trade war, the Shenfei Laser Optical Systems Company (a joint venture between Philips Electronics and the Shenzhen municipal government), which had been singled out by United States trade negotiators this May as one of China's biggest pirates of compact and laser disks, was

CHINESE IMPORTS AND EXPORTS (as a percentage of GNP)



Source: State Statistical Bureau, *Statistical Yearbook of China 1994*, pp.32, 506.

back in business. It is enough to make foreign investors anxious and nervous, but apparently not nervous and anxious enough to pull back or pull out. Why is that?

The reason is inherent in the idea of China's continental-sized economy, which for the first time holds out a fairly credible prospect of turning its multitudes into the world's largest assemblage of middlingly well-off customers—not in the legendary long run in which we're all dead, but within the lifespan of the generation now in their early youth. Last year China's per capita GDP (measured at purchasing power parity) was about \$2,000, and its overall total output was the size of Germany's. However, on a traditional per capita GDP basis, China ranked among the world's poorest countries. Still, foreign investors are betting that the reforms are so entrenched that they are irreversible, regardless of who succeeds Deng Xiaoping. They also note that the offspring of the most conservative founders of China's communism are among the moneyed "princelings" whose fortunes are tied to the continuation of market reforms.

Another reason to grin and bear it is that one can't tell what the competition is going to do, except for the long-horizon (30 to 40 years) Japanese, who will presumably stick it out no matter what. When AT&T pulled out of the Chinese market for telephone-switching equipment in the mid-1980s, its business went to France's Alcatel and Germany's Siemens. Mindful of this episode, Arco of Los Angeles is not quitting—even though when it brought a gas pipeline ashore in southern China (a \$1.3 billion project), it had to pay local authorities to transplant a grove of trees that had mysteriously sprang up in the way. An executive of the Continental Grain Company, one of whose managers

lost half an eyebrow to an iron bar-swinging debtor in Xinjiang province, whose salesmen are beaten and robbed in rural areas, and whose shipments often disappear in the Chinese railroad network, says that "it's a culture of lawlessness and dishonesty" out there, but stays on.² Pomfret reports that "the only Chinese ingredient in the Wella shampoo made in Tianjin is water," and that "when a Tianjin factory making Nike shoes was consistently unable to produce white shoes, the Chinese manager suggested: 'Why don't we just make gray shoes?' Nike moved to another location"—in China.³

These anecdotes are interesting in the light of the following:

- the April 29, 1995, *Economist* notes that "over the past three years Chinese equities available to foreigners have proved to be one of the world's least profitable investments, losing some 60 percent of their value";
- early this year, Moody's, the credit-rating agency, cut Chinese banks' long-term bond rating from A3 to Baal;
- even though the Economist Intelligence Unit gave China a risk-rating of 50 in 1993, the same as India's (100 being the worst, like Iraq's), India received only one one-hundredth China's FDI;
- several American and Hong Kong economists have discovered sizable capital flight from China of between \$10 billion and \$20 billion a year (those instigating the flight are politically influential Communist Party capitalists and insider elites who presumably appear to be less confident about the economy's prospects than outside financiers);
- a United States-China Business Council mid-1994 survey of American-funded enterprises in China revealed that roughly one-quarter were unprofitable but most were not "alarmed" by this, and that the bulk of the respondents expected between 16 and 20 percent rates of return on their investment over the long term.

THE GOLD COAST RUSH?

Like the sources of China's FDI, the regional distribution of that investment has been highly concentrated. The main beneficiaries have been the southern and eastern coastal areas, sometimes referred to as the

"Gold Coast." The most important are the provinces of Guangdong (including the city of Guangzhou/Canton), next door to Hong Kong; Fujian, across the straits from Taiwan, Zhejiang, Jiangsu, and Shandong; and the municipalities of Shanghai, Beijing, and Tianjin. These five provinces and three municipalities, which comprise about 30 percent of China's population, accounted for 45 percent of China's total GDP in 1993, and received the lion's share of FDI. Guangdong province alone received 30 percent of total foreign investment last year; other coastal provinces (including Hainan Island and Guangxi in the south, and Hebei and Liaoning in the north) 37 percent, and Shanghai and Beijing each more than 6 percent.

In contrast to the nearly 80 percent of FDI in those areas, the "innermost" interior provinces of Inner Mongolia, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Qinghai, Ningxia, and Xinjiang received about 5 percent, and the remaining 8 inland provinces and areas 15 percent of total foreign investment last year. Together, these 17 inland provinces and regions are home to nearly 790 million people (including most "minority nationalities"). In the recent past, FDI per capita along the Gold Coast has been about ten times that in the interior of China. The per capita GDP of Shanghai is 11,630 yuan. In coastal Guangdong it is 4,800 yuan, and it is 1,800 yuan in neighboring inland Hunan. Over the last 14 years Guangdong's economy has grown at an average rate of more than 20 percent a year, while in inland Guizhou the rate is 9 percent.

This distributional pattern has been in part a result of foreign (especially overseas Chinese) investors' calculation of risks and comparative advantage, and partly the outcome of government policies aimed at attracting investments in export-oriented industries to the coastal provinces. These policies, associated with the former general secretary, Zhao Ziyang, were challenged in the wake of Tiananmen and Zhao's purge, but have survived and, as noted earlier, are now being rethought in the context of new economic and social circumstances.

At the outset it was thought that coastal development, spurred by foreign investment, would trickle down to more remote parts of the economy. So far this has happened only marginally, if at all. The consequent widening disparities in income and wealth between coastal and inland areas have contributed to the massive migration of people to the coastal cities and richer provinces, straining resources and often provoking protectionist responses by local authorities. This "floating population" of the unemployed and underemployed is conservatively put at between 60 million and 80 million people. Every day 2 million migrants scour Shanghai alone in search of work.

However, as labor and land costs rose in the port cities and the surrounding countryside, foreign investors began to move inland along the major rivers,

²The Asian Wall Street Journal Weekly, February 27, 1995, p. 18.

³Pomfret, op. cit.

somewhat enlarging the definition of what constitutes "coastal areas" in terms of FDI. Now the central authorities are considering investment incentives for foreign entrepreneurs who would venture more boldly into the deeper interior, where the economy remains largely extractive and, one might add, life is rather bleak for natives and expatriates alike.

The Gold Coast concept of open cities has already been extended to some sites in the interior. This has been interpreted by local authorities inland as a green light to offer tax breaks and other FDI allurements that go well beyond the intent of national laws—and well beyond local ability to deliver. In 1994 the State Council closed one-third of 3,000 unauthorized special industrial zones that, like the southern Arco tree grove, had appeared out of nowhere. However, two dozen inland high-technology zones offering tax advantages to foreign investors have been approved by Beijing. Some activities and interior locations from which foreigners had been barred in the past, such as onshore gas and petroleum exploration, are now open. Special dispensations are given to foreigners willing to supply the cash and the expertise for the infrastructural, raw materials, electronics, and agricultural areas targeted by the government for priority development.

The interior's major potential attractions to foreign investors are relatively cheap (but for the most part unskilled) labor, land, housing (very basic), as well as comparatively easy (at least in terms of distance) access to raw materials. However, the obstacles to a sustained

FDI inflow—primitive living conditions, lack of skills, and limited transportation and communications—remain formidable.

MANY HAPPY RETURNS

Most foreign investors are in China because of long-run (30 years and more) profit considerations that center on the promise of a market of perhaps 2 billion consumers. The record of the past 16 years suggests that this promise may not be an illusion.

However, the long run is reached through the short and medium runs, and thereby hangs a murky tale. A proximate problem is the Chinese Communist Party's insistence that it be allowed to rule unopposed forever. Other current difficulties include inflation; underemployment and unemployment; budget-eating state-owned enterprises; boom-bust cycles; social unrest (especially in the countryside) simmering beneath a veneer of enforced stability; widening income and wealth differentials among individuals, classes, and regions; and bureaucratic overregulation that works only because of such thorough corruption that, if not promptly checked, will kill the infant market system more surely than Marx, Lenin, Mao, and Stalin put together. An early indication of what might transpire will be the way China handles Hong Kong after June 1997. Foreign entrepreneurs and international financiers are a hardy and usually (but not always) well-informed breed. They are also skittish and prone to panic. ■

In his analyses of China's agricultural potential, Vaclav Smil examines the pessimistic visions of the "unreconstructed catastrophists" who predict China will be unable to feed itself in the near future.

Feeding China

BY VACLAV SMIL

Once again, the roller coaster of Western perceptions of China's future is racing downhill. There is no shortage of reasons for this slide: they include preposterous filial assurances that the supreme leader who cannot move or talk is in "good health"; "suicides" among top bureaucrats; the unmasking of huge corruption scandals; a floating population of unemployed peasants swelling well past 100 million; and China's unyielding claims to all the South China Sea.

But by far the most worrisome, and in many ways the most substantial, cause of these renewed concerns is neither the dubious politics (a norm in modern China) nor the gyrating economics (either too sluggish or quite maniacal). Feeding China is the most basic and decisive challenge—one that does not get easier as the country's population passes 1.2 billion on its way to 1.5 billion within another generation.

This challenge, too, has been seen from abroad in a succession of often starkly contradictory views. After the Communist Party victory in 1949, many Western sympathizers foresaw the end of recurring famine. Indeed, urban food rationing, which began in 1954, was a sensible step in assuring basic nutrition. But when the greatest famine in history—largely the outcome of Maoist delusions rather than inclement weather—swept across China between 1958 and 1960, just a handful of Western observers, promptly accused of anti-Communist or anti-Chinese bias, acknowledged its horrendous extent. Only when the results of the 1980 census were released did it become impossible to minimize the toll: nearly 30 million people.

Westerners "discovering" China in the early 1970s witnessed the results of the rapid postfamine recovery: they saw nothing but well-nourished, rosy-cheeked babies, and could not find any reason to disagree with the Chinese officials who rarely missed an opportunity to boast that China fed one-fifth the earth's population with just one-fifteenth the world's arable land.

But Dengian reforms, launched at the end of the 1970s, clearly demonstrated that something was wrong with those glowing official accounts: if they were accurate, then why abandon the communal system for private farming? The truth was that communal command farming (with virtually all planting and delivery targets prescribed from the center) and strict urban food rationing produced, on average, just enough food to cover basic needs. This meant that average per capita food availability during the late 1970s was no higher than the mean during the mid-1950s; that even staple foods were usually of poor quality; that the typical diet was extremely monotonous; and that because of regional disparities, the average food consumption of more than 100 million peasants, mainly in the poorest northwestern and southwestern provinces, was below subsistence level.

Within five years privatized farming appeared to make all this a memory. By 1985 China's average per capita food supply had risen close to the Japanese mean, had improved noticeably in quality, and had expanded to include traditional but formerly scarce favorites ranging from fresh fish and pickled bean curd to fancy mushrooms and various nuts.

Although the grain harvest reached a record high of 407 million tons in 1984 and then stagnated for the rest of the decade, the doubled production of previously scarce plant oils, aggressive expansion of freshwater aquaculture, and a 2.5-fold increase in pork and poultry production combined to further increase the total availability and quality of the food supply. The new decade began with a record grain harvest of about 446 million tons in 1990, and this record was surpassed by about 10 million tons in 1993. Why then the worries?

THE OPTIMISTIC LINING IN THE PESSIMISTS' CLOUD

In a series of writings published last year, World-watch Institute president Lester Brown, an unreconstructed catastrophist, argued that China is losing the capacity to feed itself, and that the size of the resulting food deficit will make this inability a major global problem. According to Brown's analysis, China's total grain output has already reached its peak and, com-

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pared with 1990, will decline by at least 20 percent by 2030, shrinking an average of 0.5 percent a year.

This long-term decline will cause an annual supply deficit of over 300 million tons of grain by the year 2030—roughly twice the quantity of all grains (food and feed) traded annually on the present world market. If this analysis is correct, Brown's anxious question—"Who will feed China?"—has no obvious answer. Some Chinese agronomists and agricultural economists have also been fairly pessimistic, believing that a period of stagnating productivity lies ahead and forecasting a grain supply gap of 50 million tons by the year 2000.

These concerns are not unfounded. Forecasts of China's declining food production capacity rest on a number of worrisome realities and undesirable trends. The two most important physical factors have been the substantial and continuous loss of arable land, and the serious spreading of water shortages. Other environmental concerns include increasing pollution (especially the contamination of surface water by heavy metals, phenols and hydrocarbons, and acid rain) and gradual soil degradation (unsustainable water and wind erosion and the salinization, alkalization, and waterlogging of farmland).

Worrisome agricultural signals range from declining returns because of increased cropping to higher rates of staple monocropping and the disappearance of traditional, complex, crop rotations. The first trend has been especially pronounced by the use of nitrogenous fertilizers. During the 1970s, the first decade of the heavy use of synthetic fertilizers in China, a kilogram (2.2 pounds) of nitrogen would commonly produce an additional 10 to 15 kilograms (22 to 33 pounds) of rice. In the early 1990s the return was well below 5 kilograms (11 pounds) in most high-yielding areas.

The continuation of these trends for another 10 to 20 years could bring substantial supply shortfalls. A comparison with South Korea's food consumption and imports reveals the limits of using imports to meet food demands. South Korea, which is often seen as a model for China's rapid modernization, now annually consumes about 400 kilograms (882 pounds) of food and feed grain per capita, compared with China's 360 kilograms (794 pounds), and it imports about 55 percent of its total cereal need, whereas China imports less than 5 percent.

Should China consume as much grain per capita as South Korea and import as much as South Korea does now, it would have to buy about 250 million tons of cereals annually, mostly wheat and corn. Total global grain trade has recently amounted to no more than about 170 million tons a year, so China's needs alone would be at least 50 percent higher than the overall global availability.

China is even more unlikely to follow the Japanese pattern of consumption. Japan now consumes less

grain per capita than any other East Asian country because of its extraordinarily high consumption of fish. Again, it would be impossible for China (now consuming about 6 kilograms (13 pounds) of ocean fish per capita annually) to match Japan's annual per capita consumption of 80 kilograms (176 pounds) of fish; China's marine catch would have to be about 90 million tons, more than the already unsustainable global catch of 84 million tons.

Even if annual Chinese grain deficits were not to surpass 100 million tons, and even if a much richer China could make up these shortfalls by buying more cereals on the world market, this change could have profound global implications. Pressure on international grain prices would increase as China's purchases surpassed Japanese imports (currently the largest in the world, at nearly 30 million tons a year). China's cereal purchases of between 30 million and 60 million tons a year (2 to 4 times its current rate) would also tax the capacity of the four producers capable of delivering large, long-term exports—the United States, Canada, Australia, and Argentina—and could reduce the access of the poorest African and Asian nations to a tightening global grain market.

While these scenarios are not implausible, catastrophic outcomes are highly improbable, and even the milder versions of supply shortfalls are by no means inevitable. Reasons for this qualified optimism lie in a peculiar combination of exaggerated achievements, inefficient performance, and dietary flexibility.

MORE LAND, GREATER YIELDS?

An international comparison of average crop yields shows the already high intensity of cropping in China, and hence an apparently limited potential for further harvest increases. But while Chinese crop output statistics are not exceedingly unreliable, virtually all Chinese yield figures are wrong because of a chronic underestimation of the country's total cultivated area. Official State Statistical Bureau figures put China's arable land at less than 96 million hectares (237 million acres) during the early 1990s. This total translates to just 0.08 hectare (0.2 acre) per capita; in the most densely populated provinces it is less than .05 hectare (0.12 acre) per capita.

Among populous countries only the Bangladeshi rate is comparably low, and only Egyptian and Japanese figures are lower. However, Egypt and Japan are special cases. In Egypt all land is irrigated and triple-cropped (an impossibility in China), and Japan's huge trade surpluses make it easy to import nearly all its feed grains and growing shares of other farm products.

But, more important, these often cited comparisons are wrong; China's arable land is at least 25 percent if not 40 percent larger than the official estimate. Underestimation of farmland has been a common shortcoming in many Asian countries, but in China's case a

preliminary analyses of LANDSAT satellite images in the early 1980s provided quantitative support for those suspicious of the official count: the images suggested arable land totaling nearly 150 million hectares (371 million acres). More exact appraisals from detailed countrywide sample surveys during the late 1980s showed between 133 million and 140 million hectares (329 million and 346 million acres). (Official admission of a much higher total, most likely the latter range, is imminent.)

The higher value would prorate to about 0.11 hectares (0.27 acres) per capita, more than twice the mid-1990s rates for South Korea and Taiwan and more than three times the Japanese mean. Of course, this means all officially reported average crop yields per hectare have been substantially overestimated. Unfortunately, we do not know if there is a direct inverse relationship between overreported yields and underreported land, since the figures for actually sown land may have been closer to reality (China's multicropping ratio now averages about 1.55, with northeastern province yielding a single crop, but many southern fields provide three harvests a year).

Consequently, we would be making another error by simply assuming that every nationwide average yield figure is actually about 45 percent lower than the official rate. But we are on solid ground in assuming that the real rates are at least between 15 and 20 percent lower, and that overestimates may be as high as one-third for some crops. Even the most conservative assumption means that China's average staple grain yields are still below the South Korean and Japanese means, and hence the country has considerable potential to improve crop productivity by intensifying productive inputs.

EFFICIENCY = SUFFICIENCY

An uninformed observer relying on media reporting would have to conclude that the Green Revolution of the 1960s was the last radical, and in many ways dubious, advance in global farming. Compared to seemingly unending innovations in microelectronics and to the reshaping of whole manufacturing sectors, agriculture appears to have stagnated. Yet field farming has at its disposal a great variety of effective technical and managerial innovations—but they will not become widespread without more realistic pricing.

By far the best analogy is with the situation prevailing in the energy sector in the early 1970s, when subsidies and low (and in real terms declining) fuel and electricity prices did not provide sufficient incentives to raise efficiency and introduce new methods. Outside

Japan even a sharp, OPEC-generated oil price rise in 1973-1974 did little to change this attitude. Only the second oil crisis in 1979-1980 and the price increase to nearly \$40 a barrel turned the long-established tide.

Recent cuts in massive government farming subsidies in Japan and the countries in the European Union and North America are finally moving the agricultural sector in the right direction. China, eager to become a full member of the World Trade Organization, will not be able to ignore this shift—and its record of mediocre farming efficiency offers impressive scope for efficiency gains. The key opportunities are in the most expensive variable inputs into the country's field farming: irrigation water and nitrogenous fertilizers.

Water prices paid by Chinese peasants on the drought-prone North China Plain—where virtually all water must be expensively pumped from deep wells—are as little as 5, and no more than 20 percent of the real cost. These are as unrealistic as the prices charged to California farmers growing heavily irrigated crops in the semidesert climate of the Central Valley. More realistic prices should improve irrigation efficiency even without a rapid introduction of new—and necessarily more capital-intensive—irrigation techniques.

Matching crops with available moisture is also an effective means of doing more with less. For example, growing sorghum instead of corn for animal feed requires between 10 and 15 percent less water for the same carbohydrate yield, and planting sunflowers instead of soybeans for edible oil can save up to 25 percent of water used. An even simpler choice is irrigating every other furrow: this practice saves nearly one-third the water and has a relatively small effect on total yields.

A low-capital choice, taking advantage of simple microelectronic sensors, would bring substantial water savings by avoiding both premature and overdue applications. Measures requiring some capital investment but that avoid the costly installation of such efficient techniques as center pivot machines should focus on cutting water losses in distribution. Seepage and evaporation in China's traditional ridge-and-furrow irrigation are responsible for the loss of between 50 and 60 percent of the water used for such irrigation. This means that the typical Chinese water use efficiency—the share that is finally assimilated by crops—is just between 30 and 40 percent. There are no insurmountable obstacles to raising this efficiency to at least 40 or 50 percent in the next two decades.

Gains of 25 to 30 percent over a period of 20 years could also be realized through improved efficiency of fertilization. Current recovery rates for nitrogenous fer-

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tilizers are only about 40 percent for dryland crops, and frequently just 20 to 30 percent for rice. Further substantial gains could come from gradually shutting down many of the small- and medium-sized fertilizer factories that produce ammonium bicarbonate (and account for more than one-third of China's total output of synthetic nitrogenous fertilizers). Modern urea plants should be emphasized instead. Urea is a stable compound easily applied to a variety of crops, while ammonium bicarbonate is highly volatile. Improper packaging, careless distribution, and poor storage of the latter cause large losses of fertilizer nitrogen even before field application.

WASTE NOT, WANT NOT

The magnitude of the current shortcomings permeating China's food chain has been stunningly illustrated by a five-year survey. According to the survey, about 15 percent of total crop yield is lost every year during harvesting, threshing, drying, storage, transport, and processing. In addition, the waste of staple grain in factory, office, and school messhalls, by excessive and inefficient production of spirits and beer, and by poor feeding practices nearly doubles that total.

As a result, China's food and feed loss has recently amounted to the equivalent of at least 60 to 70 million tons of staple grain annually. Reducing it by just one-third would increase annual grain availability by about 20 to 25 million tons, enough to feed an additional 100 million people, or eliminate all grain exports—and still be left with several million tons of wheat, rice, and corn.

Raising feeding efficiency is imperative—and highly realistic. Before the beginning of Dengian reforms, only about one-sixth of China's grain harvest was fed to animals, mostly to ubiquitous pigs. In the mid-1980s the share surpassed 20 percent; it reached 25 percent in the early 1990s and plans are for feeding 30 percent of all grain to animals by the end of the century. These increases will inevitably consume most of the increases in grain production.

Yet Chinese pigs are still mainly fed assorted mixtures of diverse plant matter, including weeds, straw, stalks, bran, oilseed residues, kitchen wastes, tubers, and inferior unmilled grain. Such rations are obviously deficient in protein, and result in slow weight gain and hence in low slaughter rates. While in North America a weaned pig is ready for the market in just six months, the Chinese average is slightly more than twice as long. And at 80 kilograms (176 pounds) the mean weight of a dressed carcass is about 40 percent higher in the United States than in China.

Improvement must come from a combination of better breeds and greater production of mixed high-protein feeds, which will inevitably favor increased cultivation of corn, wheat, and soybeans, and create a relative decline in rice planting (rice has the lowest protein content of all major grains).

The first step in reducing postharvest losses should be expanded investment in proper grain storage. Record harvests, especially in northeastern provinces, have led to the stockpiling of grain in the open, often for months. Food losses can be lowered by greatly expanding modern processing establishments and by largely eliminating heavily subsidized factory, office, and school meal programs.

A NEW CHINESE DIET

Since the beginning of the economic reforms, the Chinese have followed the nearly universal pattern of nutritional shifts that accompany industrialization and urbanization. Major staple grains have become less important as legume consumption has decreased and consumption of animal foods, oils, fruits, and sugar has increased. In specific Chinese terms, this means that rice is becoming an inferior food; that the consumption of pork and plant oils used in stir-frying has risen rapidly; and that the domestic production of sugar cannot meet the growing demand.

The level of meat consumption will have the greatest impact on China's future food self-sufficiency. So far demand for meat has been rising faster than anticipated. Average per capita annual consumption almost tripled between 1978 and 1994, and in 1995 it is already above the target set for the year 2000 by the Chinese Academy of Agricultural Sciences. The academy also assumes that average per capita meat demand will remain fairly stable at about 25 kilograms (55 pounds) per year until the year 2020.

Developments elsewhere in the region do not give any unequivocal guidance. Japanese GDP is, even when adjusted for purchasing power parity, more than an order of magnitude above the Chinese mean. However, despite this high level of affluence, average per capita Japanese meat consumption is still below 40 kilograms (88 pounds) per year (as already noted, this is an incomplete comparison since the average Japanese also consumes more than 70 kilograms (154 pounds) of aquatic products per year). Taiwanese meat consumption has leveled off at about 50 kilograms (110 pounds) per capita per year—but its pork share is now about only half the total.

The Chinese will not be able to replicate the Japanese eating pattern—and it is most unlikely that they will follow the Taiwanese one. To come closer to Japan's huge fish consumption the Chinese would have to massively increase their open ocean catches, but as was noted, that is not an option anymore.

In contrast, further expansion of freshwater aquaculture is possible, but new gains will require substantially higher inputs of mixed feeds for the intensive production of various pond species. Since cold-blooded carp convert feed better than warm-blooded pigs or chickens, their cultivation is the most efficient route to the higher supply of animal protein—except,

of course, for the higher output of milk and dairy products.

Unfortunately, the Chinese, like all East Asian people, have a high incidence of lactose intolerance because their synthesis of lactase, the enzyme responsible for digesting milk sugar, declines sharply after early childhood. This means that a large share of the affected population has difficulty digesting large quantities of milk.

Fortunately, for most people this biochemical peculiarity is no obstacle to drinking moderate amounts of fresh milk, and none whatsoever for eating fermented dairy products with low or virtually no lactose (ripe, hard cheeses contain only a trace of the sugar). And while traditional food preferences and biases make for interesting anthropological studies, such cultural prejudices do not seem to pose insurmountable barriers to major dietary changes. As far as dairy products are concerned, Japan is a perfect example of an impressively rapid shift. In 1945, Japanese consumption of milk, yogurt, and cheese was almost zero; today their average annual per capita intake is well over 50 kilograms (110 pounds), compared with less than 2 kilograms (4 pounds) in China.

Of course, high rates of milk production also require a great deal of high-quality concentrate feed, but one kilogram of such feed can produce one kilogram of milk, a return twice as large as feeding chickens (even after adjusting for higher energy content of chicken meat).

Consequently, a combination of better pig feeding, higher production of chickens (they convert feed even more efficiently than pigs), higher output of freshwater fish, and a gradual diffusion of a greater variety of dairy products could supply a more than adequate amount of animal protein without creating unsustainable demands for feed grain imports.

Finally, I should point out the declining need for average food intakes in all urbanized societies. While

available food supply in Western countries averages around 3,500 kilocalories a day per capita, the best surveys of actual food consumption show daily means (weighted for age and sex structure) of just 2,100 to 2,200 kilocalories. China's average supply of more than 2,700 kilocalories a day per capita is clearly sufficient. Indeed, Chinese publications have recently carried a number of articles pointing out the growing incidence of obesity among children.

Increasing average nationwide food availability would make little sense. Instead, three modifications are necessary. China's food must be produced more rationally through a combination of increased yields (achieved not only by further intensification of crop farming, but also by continuing beneficial rotations); improving field efficiencies of major farming inputs (fertilizers and irrigation water); and reducing postharvest waste.

The composition of average diets should further change by including more animal protein produced with high conversion efficiency (freshwater fish, chicken, dairy products), and by the provision of higher quality, nonstaple foods (legumes, fruits, vegetables, nuts). And a sustained effort must also be made to eliminate serious regional disparities in average food supply; most coastal provinces now have a surplus of food, but in poor weather years supply averages in Guangxi or Gansu are still barely above the basic sufficiency level. This is a more complex challenge, requiring not only improvements in local yields and in the capacities for interprovincial transfers of grain, but also more nonagricultural employment opportunities in interior provinces to raise overall purchasing power.

None of these goals will be easy to accomplish, but all are within reach. Bad policies can make them perpetually elusive. Concentration on proven, rational choices can make them tomorrow's realities. China may yet end up queuing for imported food, but it is an outcome that is neither desirable nor necessary. ■

Much has been made of the new entrepreneurs who are remaking China's economy, but what about the workers who provide the labor that has fueled the country's economic growth? Margaret Maurer-Fazio examines the reforms that have replaced lifetime employment and egalitarian wages with job hopping, competitive wages, and the threat of dismissal.

Building a Labor Market in China

BY MARGARET MAURER-FAZIO

China's economic reforms have profoundly affected the work environment of hundreds of millions of Chinese workers and peasants. The reforms have also resulted in the emergence of a labor market in China—one that, nascent as it may be, is significantly influencing worker behavior.

The reforms freed a large number of peasants from a life of rural bondage, and many are now looking for work in urban areas. Their willingness to take jobs considered dirty and demeaning by the privileged urban elite, combined with the new concern of many urban employers for profits, has led to their growing employment. Consequently, they are playing a major role in reshaping the urban work environment. This influx of rural job seekers and their urban impact, the changes in employment in the hinterlands, and the overall effects of the reforms on the Chinese labor force are the focus of this article.

THE STATE-OWNED URBAN WORKER

In pre-reform urban China, individuals had almost no decision-making power over their labor. Their situation differed markedly from that in the Soviet Union and Eastern Europe, where workers exercised a good deal of choice over their employment and where job turnover was frequent. In China the state did not recognize an individual's ownership of his or her labor; instead, the state claimed collective ownership of labor services. Students were assigned their jobs by the government (college graduates by the central government and high school graduates by local labor bureaus) with little regard for their employment preferences. Job searches were not allowed; young people did not look for work but waited to be assigned jobs. Once assigned to an enterprise, workers had little hope of moving to another employer.

On the demand side of the urban labor market, however, the situation was similar to that in the Soviet

Union and Eastern Europe. Work organizations faced incentives to hoard labor (that is, to keep excess workers on hand to meet production quotas). In China this prevented work units (the place of work, such as a factory) that could most efficiently use skilled labor from gaining access to it. Moreover, fear of urban unemployment prompted the government to place more and more employees into already overstaffed enterprises. It also led to an expansion in the number of urban collective enterprises, many of which were created primarily to absorb surplus labor, especially the dependents of employees of associated state-sector enterprises.

Urban workers were ensured life-time employment, but were not allowed to choose the nature of their job or employer. This is not to imply that workers did not have job preferences: state-sector jobs conferred higher status, wages, and benefits and thus were considered much more desirable than collective-sector jobs. The collective sector comprised diverse entities: some were large-scale factories; some small handicraft producers; and, as mentioned, some were established to provide employment to the dependents of state-sector enterprises.

Although workers had little control over where they were assigned to work, they did have considerable power over how much effort they supplied. Workers could express dissatisfaction with their workplace, wages, or duties through absenteeism, by shirking, and by carrying out personal affairs during work hours. The mismatch of workers and firms in the pre-reform labor allocation system was undoubtedly one of the biggest contributors to lost motivation and initiative.

The wage system was designed to provide an egalitarian income for workers rather than an incentive structure to promote productivity and motivate workers. Region, occupation, industry, sector, enterprise level, and the characteristics of a specific workplace were all taken into account in determining the wage scale. Despite the complexity of the system, wage differentials across occupations and skill levels were com-

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pressed to the degree that the wages of skilled and unskilled workers often equaled or exceeded those of professionals.

Job mobility was severely limited not only by the phenomenon of labor hoarding and the prohibitions on work units directly hiring labor, but also because work units, especially in the state sector, took on many of the functions of a welfare state. These included providing housing, education, medical care, pensions, and other services. James Stepanek has noted that

a small Chinese town is erected each time a state factory is built. For example, what had been a desolate patch of gravel along a shoulder of the ancient Silk Road is, 20 years later, the Baoji Nonferrous Metal Works—the nation's leading producer of titanium sheet and tubing for the nuclear industry. More than 50 structures were built, including dwellings for 10,000 people. Likewise, the Northeast General Pharmaceutical Factory is located inside Shenyang, yet separate. It occupies more than a million square meters of urban space. Within its high walls a town has been built, with 236 school teachers and vocational education instructors, and its own construction company to build the factory's roads, stores, and apartments. One gets the impression that making vitamins and hormones is one of the community's least important activities.

These supporting facilities consume a big share of factory revenues and present managers with a confusing array of community problems that have nothing to do with production. For example, the Capital Iron and Steel Corporation in western Beijing employs approximately 135,000 staff just to grow the vegetables and rice and run the schools, parks, buses, theaters, and bakeries that support the fewer than 15,000 workers who actually make steel. The same situation exists at the 650,000-kilowatt Liaoning Power Plant, which has 3,000 workers[; however,] only 20 technicians and roughly 100 maintenance engineers are needed to run the plant.¹

A worker who left his job surrendered his rights to the benefits the job provided, making the cost of job-switching prohibitive for state-sector employees. Even if an employee was willing to bear these costs, he could not freely change employers since both the current employer's permission and the transfer of the employee's personnel dossier were required before another employer could legally hire the individual. In

addition to the obstacles to job transfers, urban residents faced strict migration controls.

REFORMING THE URBAN LABOR FORCE

Criticisms of the pre-reform manpower system grew with the institution of industrial reforms in the 1980s. As managerial contracts that linked managers' pay to performance were implemented, profit considerations became important criteria. Managers demanded the right to select workers and (perhaps more important initially) the authority to dismiss redundant and incompetent workers. They also asked for the authority to use material incentives to elicit and reward productive behavior. In short, they wanted to introduce some of the significant features of labor markets.

Changes to the urban labor system in the early part of the reform period included the introduction of a contract system for hiring labor in state enterprises. This system, which was put into effect nationwide in the fall of 1986, required the hiring of all new employees of state-owned enterprises on the basis of three- to five-year contracts, at the end of which either party could terminate the arrangement. Another reform, designed to open jobs in state-owned enterprises to all urban residents, ended the grant of job preference to the children of employees. Legislation intended to promote job mobility (or at least to lessen impediments to job transfers) was passed. Labor exchange centers were established, and the private sector was permitted to hire workers in a much less regulated fashion than under the pre-reform system. New wage policies permitted employers to diverge from the national wage scales; bonuses, paid out of retained earnings, linked the wages of an enterprise to its profitability and productivity, and became an important component of a worker's total monetary compensation.

In 1989 a program referred to as Optimum Labor Reorganization was put into effect to deal with the problem of underemployment in state enterprises. This policy was designed to allow state enterprises to identify and reduce surplus labor and place the remaining work force on contract. However, the state's deeply embedded concerns with open unemployment led to the use of attrition and retraining to eliminate surplus labor, thus greatly slowing the process.

In 1992 regulations giving managers the right to hire and fire employees were drawn up but, again, not fully implemented. However, new ways of dealing with redundant workers have been developed. The first is to collect surplus workers and place them into service enterprises. These enterprises are then weaned from the financial resources of the parent enterprise. The second involves a type of semiunemployment termed *xiagang*, in which workers receive partial pay and benefits but no bonuses. Outright dismissals are a distinct reality with the advent of bankruptcies, takeovers of failed firms, and the leasing of enterprise assets.

¹James B. Stepanek, "China's Enduring State Factories: Why Ten Years of Reform Have Left China's Big State Factories Unchanged," U.S. Congress, Joint Economic Committee, *China's Economic Dilemmas in the 1990s: Problems of Reforms, Modernization, and Interdependence*, Vol. 2 (Washington, D.C.: U.S. Government Printing Office, 1991), p. 447.

The elements of the labor and wage reforms affecting urban areas mark major changes from past labor policy. Wages have been linked to productivity and profitability, enterprises delegated limited authority to make hiring and firing decisions, and individuals allowed some degree of choice regarding their employment. Some of the restrictions on migration and job mobility have also been loosened. These changes, taken together, introduced key labor markets features into the urban workplace.

COLLECTIVE SERFDOM

As in urban areas, pre-reform employment choices were essentially nonexistent for rural-area peasants. In the collective era, from the late 1950s to the late 1970s, peasants in the Chinese countryside were organized into production teams of 20 to 30 neighboring households. Production teams were grouped into brigades and brigades into communes. The team was the basic unit of production, controlling its own labor force and determining how the land under its jurisdiction was used. The household registration system kept peasants dependent on their teams for income and food supplies. Team members accrued earnings in the form of work points. The value of a work point was determined at year's end when the team distributed its income to members in kind and cash. The state's fear of open urban unemployment led to the imposition of strict prohibitions on migration from rural to urban areas. Taken together, the household registration system, the prohibitions on migration, and the few opportunities for nonagricultural employment in the countryside reduced the typical peasant's plight to something akin to serfdom.

On the demand side of the labor market, production teams had virtually no choice over their constituents. Accidents of birth, rather than the exercise of preferences, matched agricultural workers to their employers.

Radical changes took place in the countryside in the 1980s. Communes were dissolved in favor of the household responsibility system, which contracted land to individual households. This system effectively abolished the community work point system and the collective distribution of income. Under a series of new policies and regulations, township and village enterprises expanded spectacularly, rapidly generating non-farm employment opportunities. (Unfortunately these opportunities did not match the number of peasants unemployed and underemployed by the combination of the surge in new rural labor force entrants and the incentive to economize on labor by the now-

entrepreneurial farm households.) Transactions in land tenancy and labor, though initially prohibited, were sanctioned in 1984. The state switched from production planning and compulsory procurement of farm output to price planning and price incentives to increase output and improvements in product mix.

This new economic environment represented a profound change from the previous era. Peasants, formerly forced to work in collective agriculture, found themselves with the freedom to choose between specializing in agriculture, moving into other forms of employment and becoming entrepreneurs, or a combination of the two. The new opportunities, which were more readily available to those living in developed areas, were rapidly embraced by the peasantry. By the end of 1993, perhaps as many as 110 million farm workers had been absorbed by the village and township enterprises in rural areas. It is estimated that another 70 million to

100 million rural residents left their homes to move, at least temporarily, to urban areas. These migrants or transients are usually referred to in the Chinese press as the floating population.

The majority of China's floating population are males aged 15 to 34. Most have some elementary or junior high education. They appear to be much more flexible than urban residents about work conditions, pay, and benefits. They labor in state-run factories on limited-term contracts as well as in collective-sector enterprises and in private and foreign-funded firms. The jobs they are filling are for the most part disdained by the "entitled" urban population as being beneath them. Today, large parts of the transportation, trade, and construction industries are manned by the floating population.

In sum, changes in the countryside, beginning with the adoption of the household responsibility system, quickly snowballed. Restrictions on the hiring of labor were removed. Rural private enterprises were sanctioned, and township and village enterprises sprang into existence, providing off-farm jobs. Migration and mobility restrictions were loosened, allowing large numbers of peasants to look for work in urban areas. The reforms created the necessary conditions for a rural labor market to exist and allowed peasants to move to urban areas to participate in the urban sector's labor market.

A LABOR MARKET EMERGES

Under the pre-reform labor system, urban workers were assigned to jobs, left there for a lifetime, and given nearly equal pay regardless of performance. The situation today is radically different, although pre-reform elements persist. Many redundant workers remain in

Taken together, the household registration system, the prohibitions on migration, and the few opportunities for nonagricultural employment in the countryside reduced the typical peasant's plight to something akin to serfdom.

state-owned enterprises; housing and welfare reforms have proceeded slowly, leaving obstacles in the path of job mobility; and the state, still fearful of open urban unemployment, has slowed the implementation of management's right to dismiss workers.

However, even in the state sector—the sector most resistant to change—a labor market exists. Employees can exercise choice over where they work. They compete for positions on the basis of their education and experience. Enterprises have some discretionary power to terminate redundant and poor quality workers and they can choose new employees. Salaries and bonuses are linked to productivity. Human capital accumulation is being recognized and rewarded in the workplace, and promotions are made on the basis of ability. Workers can migrate to obtain more desirable employment.

Employers recruit locally, nationally, and internationally, and they vie to hire well-qualified personnel on the basis of remuneration, benefits, and the quality of the work environment they offer. For example, the mayor of Shenzhen went to Xian to offer high salaries to senior technologists willing to move south to work for him. Xian's mayor countered with similarly attractive salaries to keep the technologists at home. At that time, advertisements began to offer salaries at previously unheard of levels. Delegations from many provinces were sent to scour the country for talent. The areas that were being raided for high-caliber recruits countered by going to Guangdong and Fujian provinces to lure back needed specialists. The choice of terminology in reports about the recruitment attempts reveals a fierce competition. Not only are "raids" and "counterattacks" reported, but salary is claimed to be the "key weapon" in the competition for capable people. The incentives offered by recruiters include not only high salaries but spacious accommodation, commissions, bonuses, and care for family members.

As can be seen in this example from the February 1, 1993, issue of *Beijing Review*, recruits are clearly being selected according to criteria that will match their skills with employers' needs:

Shen Taifu, president of the Beijing Great Wall Industrial Group, is renowned for his ambitious plans to turn his corporation into China's GM. This free-wheeling entrepreneur also displays insight in selecting talented personnel. In 1991, he refused a planned assignment by Beijing's personnel department. Instead, he solicited a highly professional 180-member R&D force out of 3,000 applicants from the market. All were employed on the basis of their previous merit

Recruiting is taking place not only through local and national job fairs and exchange centers but, as was noted, also at the international level. To find professionals to meet development needs, official delegations have been sent from the Shenzhen Special Economic

Zone and Guangdong to the United States and Canada to recruit Chinese students studying there. The city of Guangzhou has announced that it intends to send delegations to the former Soviet Union, Japan, and the United States to recruit foreign experts and Chinese students to work on key projects.

Job fairs, talent exchange centers, and recruiting in general are no longer oriented only toward attracting new labor market entrants but also experienced personnel. The reforms of the labor, personnel, and wage systems have created a tide of interest in job transfers. The job exchange centers set up in major cities note remarkable increases in their business. In 1992 over 1 million technical and managerial workers registered at local personnel exchange centers. This represents a major change from five years ago, when any state-sector employee requesting a transfer was viewed suspiciously as either being incompetent or having interpersonal problems. Many job transferees have moved to positions in foreign-funded enterprises, rural and township enterprises, and private firms.

Many of these transferees had been employed by the state sector. In an ironic turn, the large state-sector enterprises are decrying the "brain drain" from their ranks and claiming that the township enterprises have unfair tax advantages. In one especially well-publicized case, the resignations and transfer of several managers and a group of engineers and technicians from a state-run machine tool factory to a township enterprise provoked reactions across the country. The debate about the case brought to the fore the issue of how state-owned enterprises can prevent their staff from leaving. It appears the state sector has been forced to compete vigorously in terms of remuneration and benefits to attract the personnel it wants and to keep the staff it has.

It is clear that the labor reforms are enabling other reforms. With the potential for dismissal—whether from bankruptcies, takeovers of failed firms, or leasing of enterprise assets—and the possibility of being forced into service companies and unpaid leaves, workplace discipline has improved markedly (discipline that is reinforced by the existence of the huge floating population). Though not all workers are paid according to productivity, it is clear that new labor market entrants are earning market-like returns on investments in schooling, and that job-seekers consider wage offers an important part of the criteria in choosing between jobs. There is less control and more flexibility in the labor market as one moves from state enterprises to urban collectives, and from urban collectives to rural county and township and village enterprises, and from these to privately owned firms.

MANAGING THE NEW LABOR MARKET

Much of the imbalance in the supply and demand of labor is due to remaining restrictions on migration and to the institutions that continue to privilege urban res-

idents. Members of the floating population are filling vacancies wherever they arise. No doubt urban workers in low-skill positions are becoming nervous about their own job security.

The home provinces of the migrant workers are glad to export their surplus labor. Provincial governments help make employment arrangements for those who want to move to labor-deficit areas; they realize that the migrants are an important source of remittances; the receiving provincial and city-level governments, fearing instability, often try to restrict or turn away migrants.

However, China's labor force growth rate has slowed dramatically because of the reduction in the average number of children per family. It is now projected that the labor force will grow at only 0.4 percent per year from 1995 to 2025 (as opposed to a growth rate of 2.6

percent per year from 1965 to 1995). The birth rate decline is both more marked and has started earlier in urban areas, resulting in an urban population that is aging rapidly. The underemployed peasants of the floating population could offset the reduction in the urban-born labor force.

China's transition toward a market economy has resulted in dramatic increases in industrial and agricultural output. Real GDP has grown at an annual average rate of more than 9 percent since 1978. More than 100 million nonagricultural jobs have been created by the dynamism of rural industry. Private-sector employment in rural and urban areas has also provided employment for millions of workers. Continued strong economic growth of the economy is needed to ensure further increases in the demand for labor. ■

BOOK REVIEWS

ON CHINA

Mandate of Heaven:

A New Generation of Entrepreneurs, Dissidents, Bohemians, and Technocrats Lays Claim to China's Future

By Orville Schell. New York: Simon and Schuster, 1994. 464 pp., \$25.

A new Chinese generation, not yet vested in power, searches for a voice of its own, one increasingly tinged with elements of Western politics, culture, and society. The brutal 1989 Tiananmen crackdown, which momentarily dammed the public voice of this new generation, pushed dissident expression out other apertures: music, literature, art, and finance. Such tenacious ventures into forbidden realms, and the risks and results, form the basis for Orville Schell's anecdotal observations on China's recent evolution.

Mandate of Heaven approaches the problems facing Deng Xiaoping and the political leadership from the vantage point of the protesters, rock stars, artists, clandestine publishers, and venture capitalists toeing the line or crossing it—and examines China's "push-me-pull-yu" reactions that range from toleration to repression. Schell nicely balances personal testimony with learned observation, and captures the general uneasiness of a nation lurching forward with prescribed reforms and "openings" yet uncertain and wary of the final outcome.

Melissa J. Sherman

China and the American Dream: A Moral Inquiry

By Richard Madsen. Berkeley: University of California Press, 1995. 285 pp., \$27.50.

Americans derive their ideas of freedom from the Western enlightenment experience; hence, they understand capitalism, democracy, and liberty to be inextricably linked. Since 1989, a depolarized world has complicated the American understanding of good and bad, free and unfree. The accepted sequence of events has been altered, expanded, and customized. Richard Madsen, a professor of sociology at the University of California at San Diego, asks us to examine how China took from the American dream and gave back to it. In an engaging interdisciplinary study, he explores the unique and passionate nature of United States-China relations before and after the June 4, 1989, Tiananmen massacre. Madsen's work is a cultural one that invokes the moral and theoretical questions that both Chinese and American populations have faced in the past 30 years.

Madsen calls *China and the American Dream* a moral

inquiry but ideological might be a more accurate adjective. This is a book about how the American paradigm shaped and reshaped Chinese sociopolitical dreams; it also addresses how Americans used the Chinese experience to define their own.

Unlike the Soviet Union, China had always been understood as "ours" to lose. Madsen suggests this protectionism was inspired and fostered by American missionary work in China at the turn of the twentieth century. The residue of this missionary mentality affected the American public throughout the second half of the twentieth century as it struggled to keep China within its ideological grasp once the Communists came to power.

With the reopening of China in 1972, Americans believed more than ever in the Western sequence of events that had brought capitalism and democracy to America and the world. Making use of a broad range of cultural and literary sources, Madsen suggests that the Chinese, having opened up their economy to the West, have bought into the American paradigm as well. He argues convincingly that the Chinese were not the only ones to suffer from a broken dream after Tiananmen. The events of 1989 shook the world, especially the United States. How could our China have been on the road to capitalism and missed the turn for democracy? Americans, too, had to rethink how events in China and throughout the postcommunist world would reflect and affect their belief in the transition to capitalism and democracy—the American Dream.

Clearly a postmodern believer, Madsen suggests a new and integrated "master-narrative" to replace the withered monocultural "myths" that have characterized the twentieth century. He is not, however, a hyperrelativist. Madsen understands the necessity of local histories for common peoples; however he envisions and indeed demands greater accuracy in the creation of new, global myths and dreams. Where once the United States could wish its own dream on the "unfree" world with little consequence, in a repositioned world it must take greater care to define and shape its dream to custom fit the unique circumstances emerging across the globe.

Claudia Burke

The Fall of Hong Kong:

China's Triumph and Britain's Betrayal

By Mark Roberti. New York: John Wiley and Sons, 1994. 336 pp., \$24.95.

Nineteen ninety-seven looms in the not-so-distant future, the date when 19 years of negotiations and preparations will culminate in the reunification of

Hong Kong with mainland China. Worries and hand-wringing multiply as the time approaches: What will Communist rule do to Hong Kong's economy? politics? social freedoms? How many of Hong Kong's economic powerhouses will jump ship? *The Fall of Hong Kong* offers insight into these questions in a story crafted by journalist Mark Roberti.

The negotiations for Hong Kong's future began in 1978, when prominent lawyers began to ponder a solution to a tricky question: How could Britain maintain its hold on Hong Kong when it had two treaties giving Britain sovereignty in perpetuity and a lease expiring in 1997, all signed before the Chinese Communist Party came to power and none recognized by the current Chinese leadership? Tricky indeed, especially since Deng Xiaoping already had his sights on the territory as an integral part of China's economic modernization.

The ensuing drama travels chronologically between private political meetings and public reactions to the latest news. China and Britain quickly reach a stalemate over the issue of sovereignty. China proposes what sounds like a fair deal for the colony, a plan known, after the number of Chinese characters, as "the 16-character solution": China recovers sovereignty; no change in social systems; Hong Kong people ruling Hong Kong; and stability preserved.

Britain eventually caves in to China's insistence on sovereignty, realizing that the island is essentially indefensible should the issue come to blows (Hong Kong is dependent on China for its food and water supply). The rest of the negotiations are, as Roberti puts it, "nails in the coffin." Hong Kong people may rule Hong Kong, Roberti writes, but one can be certain they will be a carefully selected pro-Chinese elite operating under the watchful eye of a handpicked governor. And China, whose main interest in Hong Kong is the money it makes, has long cultivated economic leverage. Beginning in 1978, Deng offered significant incentives for Hong Kong investors, and under China's good graces Hong Kong has become the leading investor in China. The only "stability" China seeks is economic; any other "stability" will most likely be window dressing to show Taiwan and the world that reintegration isn't really so bad.

Roberti is particularly bitter about Britain's abandonment of its Hong Kong subjects. Britain had ample opportunity to offer British citizenship to the colonials or otherwise install measures to protect their rights once China takes over. And while economic and legal measures were debated at length, the political issue was left wide open. Britain haughtily refused a long period of political transition, preferring to keep control to the last minute, and has even recently instituted democratic reforms sure to be dismantled in 1997. Essentially, the survivors will be the investors who have played along with the Chinese, or those wealthy enough to have bought citizenship elsewhere. The

majority of the population has been left to the winds of fortune or, as one journalist parodied a popular Christmas song, "He's making a list; he's checking it twice / Gotta find out who's naughty or nice, / Deng Xiaoping is coming to town."

Roberti, who draws heavily on published reports, government papers, and interviews, shows a keen eye for the human side of politics and is quite skillful at juggling details. Many writers would have difficulty wading through the multitude of characters such a narrative requires, but Roberti extracts a series of convincing portraits that capture essential personalities without getting lost in distracting information. *The Fall of Hong Kong* is a succinct story with a style the general reader will appreciate.

M.J.S.

The Changing of the Guard:

President Clinton and the Security of Taiwan

By Martin Lasater. Boulder, Colo.: Westview, 1995. 250 pp., \$44.95.

In *The Changing of the Guard*, Martin Lasater concludes that "the maintenance of peace in the Taiwan Strait is . . . a cornerstone of U.S. policy toward China and toward East Asia as a whole. It is for this reason that Taiwan's security should remain of great concern to the United States under the Clinton administration and for the remainder of the century." In the 250 pages leading up to these final words, Lasater presents an excellent analysis of current United States foreign policy toward Taiwan (the Republic of China) and China (the People's Republic of China). The difficult task facing the present administration is to improve ties with Taiwan, as Congress demands, without undermining two decades of progress in Sino-American relations. Throughout his book, Lasater offers several ideas on how to deal most effectively with that task.

Though the United States has successfully pursued a "dual-track" China policy—it has official ties to China, in accordance with the three Sino-American communiqués, and unofficial relations with Taiwan, as outlined in the 1979 Taiwan Relations Act—new problems and developments are threatening to disrupt the status quo. Today, a democratic Taiwan finds itself experiencing an identity crisis, with some citizens advocating independence and others wanting reunification with the mainland. Also, several domestic factors in the United States, such as public opinion and powerful members of Congress, favor expanded ties with Taiwan. Indeed, the recent chill in Sino-American relations following Taiwan President Lee Teng-hui's June visit to the United States raises questions about the future of the "one China" policy.

Lasater addresses these new problems at length; foremost, he explores the growing sentiment for self-determination among the Taiwanese people and the consequences that independence from China would

have on relations between Taiwan, China, and the United States. He argues that the United States should not actively support or encourage Taiwanese independence, given the great risk of provoking a Chinese invasion of the island but, at the same time, it should not interfere if independence is the democratic choice of the Taiwanese people. For Lasater, "the purpose of U.S. policy is not to divide Taiwan and China, but to persuade Beijing not to use force against Taiwan." He recommends that the Clinton administration continue the "one China" policy, yet also strengthen Taiwan's self-defense capabilities by helping modernize the island's military through arms sales. In the interest of peace, this improved Taiwanese defense would serve as a deterrent to Chinese aggression in the increasingly possible event of a declaration of independence. He also warns that the United States must maintain an adequate military presence in the region, and be prepared to intervene if conflict arises in the Taiwan Strait.

The organization of the book is logical and straightforward, and Lasater's expertise in the intricacies of the delicate and often unpredictable relationships between China, Taiwan, and the United States is impressive. Be forewarned, however, that this text presumes an understanding of the general history of Taiwan as well as Sino-American relations since the 1970s. Also, Lasater dedicates an entire chapter to describing, in meticulous detail, Taiwanese military equipment. Though this chapter is interesting, its technical nature seems out of place when compared with the rest of the book's easily comprehensible text. Despite these criticisms, the book is consistently engaging; in particular, the fourth chapter, "The New Taiwan," stands out with its fascinating account of Taiwanese politics, political reform, and "dollar diplomacy."

While Lasater spends a great deal of time reviewing the Clinton administration's policy toward Taiwan, he has also interspersed his prescriptions for future United States policy. Unfortunately, *The Changing of the Guard* was published before President Lee's visit; it does, however, offer extensive background to the current crisis and is thus extremely timely. Martin Lasater has written a book that is a must read for all students of East Asian international relations.

Brian T. Yeh

The Private Life of Chairman Mao

By Dr. Li Zhisui. Translated by Tai Hung-Chao.
New York: Random House, 1994. 682 pp., \$30.00.

Mao Zedong remains one of the most elusive and puzzling leaders in history. He single-handedly ran a country of 1 billion people, yet his private life was merely a source of speculation. Fortunately for those interested in Mao and the study of China, Li Zhisui, Mao's personal physician, has given us a window into the Mao only his closest associates knew with *The Private Life of Chairman Mao*.

Dr. Li spent the years between 1954 and 1976 within the elite circle, known as Group One, that surrounded Mao. From that vantage point he witnessed such monumental events as the Great Leap Forward and the Cultural Revolution. Like most Chinese, he initially idolized the chairman and saw him as "the great leader and savior" from years of exploitation by Western powers. But during his 22 years of service his idolization turned to disillusionment and ultimately detestation of the man who was supposed to lead China to greatness.

As Mao's physician, Dr. Li was privy to all the chairman's ailments, which just before his death included "cataracts, amyotrophic lateral sclerosis, coronary heart disease, [and] pulmonary heart disease" among others. We also learn about everything from the "heavy greenish film" that coated Mao's teeth (which he refused to brush) to his undescended right testicle (which had no effect on his libido). Dr. Li leaves no room for speculation in his exhaustive documentation of Mao's health and physical condition.

But it is the political Mao that dominates this work. Li characterizes Mao as a master manipulator who played his associates off against one another to foster the uncertainty that ensured their loyalty to him. As a result, everything was done to please and placate Mao. He was told what he wanted to hear and shown what he wanted to see. "Mao," Li declares, "was a dictator. There were no other preferences but his. Those of us around him had to grant his every wish. To assert one's individuality in Mao's court would have been an invitation to disaster."

Mao was shielded from the stark realities of his policies by Group One. Dr. Li says he does not know if Mao ever accepted that as many as 40 million people may have starved to death during the Great Leap Forward. He would not have cared; for a man who was born a peasant and claimed to be in touch with the "commoners," Mao was remarkably ignorant of and insensitive to their plight. During a 1954 meeting with Indian Prime Minister Jawaharlal Nehru, Dr. Li recalls Mao remarking that "the atom bomb is nothing to be afraid of. . . China has many people. They cannot be bombed out of existence. If someone else can drop an atomic bomb, I can too. The deaths of ten or twenty million people is nothing to be afraid of."

Li's account also offers in-depth characterizations of many top Chinese leaders, including, of course, Deng Xiaoping. Any good story has an antagonist and Jiang Quing, Mao's third wife, proves to be just that. She is described variously as "impatient," "mocking," and "mean and vicious." The reader comes to despise Jiang and relishes her arrest after Mao's death.

Li and his translator, Tai Hung-Chao, have crafted a readable combination of historical fact and entertaining narrative. This book has enough anecdotes to keep the nonspecialist interested and plenty of valuable

insights into Mao's life for the serious student of Chinese history and politics.

One comes away from *The Private Life of Chairman Mao* with a split opinion of Mao. As a moral being, you despise him for his ruthless indifference to his subjects but at the same time remain awed by the loyalty he commanded from his followers even as they starved and wallowed in poverty. The great revolutionary was not a great man.

Scott Burkhardt

The Red Mirror:

Children of China's Cultural Revolution

Edited by Chihua Wen. Boulder, Colo.: Westview, 1994.

170 pp., \$49.99, cloth; \$14.95, paper.

The Red Mirror is a compilation of first-person recollections of the 11 horrific years of Mao's mass social and political experiment known as the Cultural Revolution. Instead of offering names, numbers, and dates to construct a history of that time, Wen crafts a patchwork of individual experiences to convey the Cultural Revolution's tragic proportions. Each of the 14 narrators, including Wen herself, was an adolescent at the time of the Cultural Revolution and was forced by dire circumstances to choose between his or her family and the government.

Wen provides haunting images of the repression: neighbors are carried off in burlap sacks; Red Guards storm into homes to destroy alleged counterrevolutionary materials; a nine-year old boy and his ten-year-old brother find their mother, who had been sent to a prisoner-of-war camp years earlier, dead at the city gate. Family members are ordered to work camps to be "reeducated," never to be seen or heard from again.

In a conventional account, the Cultural Revolution ends with Mao's death in 1976 and the subsequent overthrow of his supporters. But Wen's history is not a

textbook chronology; individual ordeals detail the program of Mao's upheaval and affix names and faces to the anguish of millions.

Wen's format is refreshing and provocative. However, the powerful raw emotions in some stories wane as the narrator weakly concludes with what might be called appropriate moral indignation at the tragedy that befell his or her family. Wen herself often implies in her introductions that the suffering the narrators endured and how it affects them as adults cannot easily be qualified.

She concludes the compilation by asserting that "memory is a wreath made out of different incidents in a life. . . Our wreath may not be as beautiful or perfect as we would like it to be, but it is our life." Wen struggles between providing a conclusion and resolving that there can never be one.

Sarah Azaransky

ALSO ON CHINA

China's New Political Economy: The Giant Awakes

By Susumu Yabuki. Boulder, Colo.: Westview, 1995. 320

pp., \$69, cloth, \$23.95, paper.

China's Minorities: Integration and Modernization in the Twentieth Century

By Colin Mackerras. New York: Oxford University Press,

1994. 355 pp., \$79.

Revolutionary Discourse in Mao's Republic

By David E. Apter and Tony Saich. Cambridge: Harvard University Press, 1994. 400 pp., n.p.

Sex, Culture and Modernity in China

By Frank Dikotter. Honolulu: University of Hawaii Press, 1995. 232 pp., \$28.

China in the 1990s

Edited by Robert Benewick and Paul Wingrove.

Vancouver: University of British Columbia Press, 1995.

272 pp., \$65, cloth, \$18.95, paper. ■

FOUR MONTHS IN REVIEW

APRIL-JULY 1995

INTERNATIONAL

Association of Southeast Asian Nations (ASEAN)

July 28—Vietnam becomes the 1st communist country to be admitted to ASEAN.

July 30—At an ASEAN foreign ministers' meeting in Brunei, China agrees to discuss ownership of the Spratly Islands in the South China Sea; China and several Southeast Asian nations, including Vietnam and the Philippines, claim the resource-rich islands.

European Union

(See *Canada*)

Gulf Cooperation Council

(See *Qatar*)

North Atlantic Treaty Organization

(See *Bosnia and Herzegovina*; *Russia*)

Nuclear Proliferation Treaty Conference

May 11—The 174 signatories to the Treaty on the Nonproliferation of Nuclear Weapons agree to extend the treaty indefinitely; the treaty limits possession of nuclear weapons to the US, China, the former Soviet Union, Britain, and France.

Organization of African Unity

(See *Egypt*)

South Asian Association for Regional Cooperation (SAARC)

May 6—The *Economist* reports that the 7 member nations of the SAARC—India, Pakistan, Bangladesh, Sri Lanka, Nepal, Bhutan, and the Maldives—have agreed to establish a preferential trade area; the agreement will go into force on December 8.

United Nations (UN)

(See also *Angola*; *Bosnia and Herzegovina*; *Croatia*; *Cyprus*; *Guatemala*; *Iraq*; *Libya*; *Rwanda*; *Somalia*)

April 6—The *New York Times* reports that a UN international war crimes tribunal in the Hague has prepared a list of 400 suspects in last year's killings in Rwanda, in which an estimated 500,000 Rwandan civilians were massacred. None of the suspects is yet in custody.

April 14—The UN Security Council votes unanimously to ease sanctions against Iraq by allowing it to sell \$2 billion in oil over the next 6 months; the sanctions, imposed in 1991 following the Persian Gulf War, will be fully lifted when Iraq recognizes Kuwait's sovereignty.

May 17—The US vetoes a Security Council resolution that would have criticized Israel for its recent seizures of Palestinian land in Jerusalem for the purpose of building new Jewish settlements.

June 9—The Security Council votes unanimously to cut the number of UN troops in Rwanda by half, to 2,330; the Rwandan government requested the reduction, saying UN soldiers were undisciplined.

ALGERIA

(See also *France*)

May 3—The Armed Islamic Group declares that it will kill every female spouse or relative of government officials, soldiers, and policemen. It and other militant Islamic groups have been waging a war against the government since 1992, when the government canceled parliamentary elections after it appeared that Islamic candidates were winning.

May 17—The Algerian newspaper *Liberté* reports that suspected Muslim militants have killed 26 people in the last 2 days.

May 28—The *New York Times* reports that suspected Muslim militants have killed a reporter near Algiers; he is the 3d journalist murdered this week. The Armed Islamic Group has targeted hundreds of journalists and intellectuals for assassination.

ANGOLA

May 31—The 1st 300 members of a projected 7,460-strong UN force arrive; the troop deployment is part of a UN-mediated peace agreement arranged last November between the government and the guerrilla National Union for the Total Independence of Angola.

ARGENTINA

May 15—With all the votes counted from the May 14 election, President Carlos Saúl Menem of the Peronist Party is reelected with 50% of the vote; José Bordón, candidate of the center-left Frepaso coalition, which is comprised of disaffected Peronists, Christian Democrats, and Socialists, garnered 29% of the vote.

AUSTRALIA

June 20—Deputy Prime Minister Brian Howe resigns; Finance Minister Kim Beazley is expected to assume his post.

BELARUS

(See *Russia*)

BELGIUM

May 21—Prime Minister Jean-Luc Dehaene's Christian Democratic party and its 3 coalition partners maintain a majority of seats in parliament in elections held today.

BOSNIA AND HERZEGOVINA

(See also *US*)

April 4—The government reports that Bosnian Serb forces have launched an attack on Bihac, a UN-protected "safe area."

April 12—The *New York Times* reports that a former Serbian secret policeman, Cedomir Mihailovic, has provided documents to the UN International Criminal Tribunal in the

Hague detailing Serbian plans for the ethnic cleansing of Muslims in Bosnia.

April 14—The US announces that it is aware Iran has been shipping weapons into Bosnia, and has chosen not to stop the shipments, despite a UN arms embargo on the region; last fall the US announced it would no longer enforce the UN embargo.

April 24—The UN International Criminal Tribunal formally names Bosnian Serb leader Radovan Karadzic and Bosnian Serb General Ratko Mladic as suspected war criminals and requests that the Bosnian government defer its trial of the 2 men to the tribunal. The Bosnian Serbs do not recognize the tribunal's legitimacy. The trial of Dusan Tadic, a Bosnian Serb indicted on charges of murder, rape, and torture of Muslims in Bosnia, begins April 26.

April 26—Bosnian Serbs close Sarajevo airport.

April 28—Heavy fighting is reported near Bihac and Sarajevo.

April 30—The Bosnian government rejects an extension of a 4-month cease-fire that is set to end May 1.

May 7—Bosnian Serbs fire shells on Sarajevo, killing 8 civilians and wounding 40 others.

May 11—Fighting breaks out between Bosnian Serb militias and Croatian government forces near Brcko, where a supply road runs between the rump Yugoslavia and Serb-held areas in Bosnia and Croatia.

May 16—Heavy fighting is reported in Sarajevo between Bosnian Serbs and government forces; 5 civilians are killed.

May 25—NATO planes bomb a Bosnian Serb ammunition dump near Pale, the Bosnian Serb headquarters; Bosnian Serb units shell 5 UN "safe areas" in retaliation. In Tuzla, 1 of the "safe areas," a Serb shell kills 71 people and wounds 150.

May 26—Bosnian Serbs place kidnapped UN peacekeepers at ammunition dumps and other military sites in Pale following a NATO bombardment nearby; about 220 peacekeepers are being held hostage.

May 27—Bosnian Serbs disguised as UN peacekeepers take over an observation post in Sarajevo; 2 French UN soldiers are killed in a UN raid to retake the position.

May 28—Bosnian Foreign Minister Irfan Ljubijankic is killed when his helicopter is shot down over Croatia by a Croatian Serb unit.

May 30—The US deploys 2,000 Marines and an aircraft carrier to the Adriatic Coast off Bosnia; Britain and France also announce troop deployments to bolster their forces currently in Bosnia under UN auspices. The Bosnian Serbs now hold 325 UN soldiers hostage.

The Bosnian Serb leadership declares the UN an "enemy" and annuls all agreements with the organization.

June 1—US President Bill Clinton says he will consider the deployment of US troops to reposition UN forces in Bosnia.

June 2—Bosnian Serbs shoot down a US jet fighter on a NATO mission over Bosnia; the fate of the pilot is unknown.

Bosnian Serbs release 120 of the UN peacekeepers they have held hostage since the NATO bombing last month.

June 3—Bosnian Serbs refuse to release the remaining UN peacekeepers they hold hostage unless NATO agrees to stop all air strikes in Bosnia.

June 7—Bosnian Serbs release another 108 hostage UN peacekeepers.

June 8—Captain Scott O'Grady, the missing US fighter pilot, is rescued by US forces from Serb-held territory.

June 18—Serbs release their remaining UN hostages in exchange for the UN's withdrawal from various heavy weapons-collection sites around Sarajevo.

June 22—The *New York Times* reports that French officials held

secret talks with the Bosnian Serbs during the recent hostage crisis; French officials reportedly agreed to halt all air strikes if the hostages were released.

June 28—Bosnian Serbs fire rockets at the Sarajevo television center, killing 5 people and wounding 38; many of the casualties are international press workers.

July 2—A mortar shell fired by Bosnian Serb militias hits the UN headquarters and the US embassy in Sarajevo; 3 peacekeepers and several civilians are wounded.

July 11—Bosnian Serbs take control of the town of Srebrenica, a UN-declared "safe area"; UN officials report an estimated 20,000 to 30,000 Bosnian Muslims have fled or have been forced to leave the town.

July 14—Bosnian Serbs launch an attack on the UN "safe area" at Zepa.

July 15—At least 20,000 Bosnian Muslims from Srebrenica, mostly draft-age men, are reported missing, UN officials report.

July 20—US officials announce a plan to launch NATO air strikes on Bosnian Serb forces if attacks on UN "safe areas" continue; the plan has British and French support.

July 25—Bosnian Serbs claim they have taken Zepa.

BRAZIL

May 8—Police kill 14 alleged drug traffickers in a shootout in Rio de Janeiro.

June 2—Workers who had been demanding higher wages return to work after a monthlong strike against state-owned oil refineries; the strike collapsed after troops were sent to the refineries.

BURUNDI

April 1—Tens of thousands of Hutus in refugee camps flee toward the border of Tanzania after attacks by armed Tutsi gangs.

April 2—Tanzania closes its border with Burundi, forcing the Hutu refugees to return to their camps.

April 3—Hundreds of Hutu are killed in northeastern Burundi by attackers, some of whom reportedly wore army uniforms; President Sylvestre Ntibantunganya denies any military involvement in the attacks.

May 31—Hutu militiamen launch attacks on the Tutsi-dominated army in the capital city of Bujumbura.

June 4—Fighting continues in Bujumbura.

June 6—The army surrounds the Bujumbura suburb of Kamenge in preparation for attack. Kamenge has been occupied by Hutu militiamen in opposition to the Tutsi-dominated government and army.

CAMBODIA

May 19—A court in Phnom Penh shuts down the newspaper *Khmer Ideal* for "publishing false information which affects the honor of the prime ministers."

May 20—The editor of the newspaper *New Liberty* is sentenced to 1 year in jail for publishing an editorial and a cartoon that "affected the dignity and the reputation of the two prime ministers."

May 22—The government formally asks the National Assembly to remove legislator Sam Rainsy from the assembly; Rainsy, who was dismissed as finance minister in October 1994, has emerged as a leading critic of the government.

July 22—Without comment, the government announces that it is expelling Rainsy from the assembly; it also closes down the assembly for 1 day.

CANADA

April 16—Canada and the European Union reach an agreement on fishing rights in the Grand Banks, where overfishing has seriously depleted stocks; Canada and the EU will each receive 37% of the 27,000 tons of allowed catches each year. Last month Canada seized 2 Spanish boats fishing off the Grand Banks, claiming that European fishing boats were draining its fish stocks.

CHILE

May 30—The Supreme Court upholds the prison sentences handed out by a lower court to the former head of the military police and his deputy; the 2 were convicted of ordering the assassination of Orlando Letelier, an opponent of the military government, in 1976.

CHINA

(See also Japan; ASEAN ; Taiwan; US)

April 4—Wang Baosan, the deputy mayor of Beijing, is reported to have committed suicide; Wang was under investigation for "economic crimes," according to Xinhua, the official news agency.

April 10—Former Politburo member Chen Yun dies; Chen was the architect of China's centrally planned economy.

April 27—Government officials report that Chen Xitong, the Beijing Communist Party chief, has resigned; Chen has been implicated in a corruption scandal.

May 15—An underground nuclear test is conducted in the western part of Xinjiang province; the test breaks a worldwide moratorium on nuclear testing and comes only 3 days after the end of the Nuclear Nonproliferation Talks in New York.

May 18—Officials arrest literary critic Liu Xiaobo for preparing, along with 44 other leading intellectuals, a petition to commemorate the anniversary of the 1989 Tiananmen Square massacre; the petition, which was presented to the National People's Congress, also called for broad and substantive political change.

May 27—The US-based group Human Rights in China reports the arrest of 22 dissidents in Beijing.

May 29—Japan reports that China launched a solid-fueled intercontinental ballistic missile in a test today; this is the 1st test of a long-range, solid-fueled missile by the Chinese.

June 16—The government recalls its ambassador to the US, Li Daoyu; the recall comes after Taiwanese President Lee Teng-hui was allowed to enter the US on a private visit on June 9.

June 18—Dissident Liu Gang is released after serving 6 years in prison for participation in the 1989 Tiananmen Square demonstrations.

June 26—Police revoke the medical parole of Chen Ziming, an alleged organizer of the 1989 Tiananmen demonstrations; Chen was released from his 13-year sentence for health reasons in 1994.

July 6—The *Far Eastern Economic Review* reports that the US Central Intelligence Agency believes that China has recently delivered missile components to Pakistan in violation of the Missile Technology Control Regime.

July 8—The government announces that it has arrested Harry Wu, an American-naturalized citizen, for espionage; Wu, who spent 19 years as a political prisoner, has extensively documented abuses in China's prison system.

July 15—President Jiang Zemin ends a 5-day visit to Germany; during the visit a \$1 billion deal was struck with Mercedes-Benz to produce engines and vans in China.

July 16—China releases dissident Yang Zhou for health reasons;

Yang, a journalist from Shanghai, was imprisoned after the 1989 Tiananmen demonstrations and sentenced to 3 years for attempting to organize a human rights group.

July 25—The government announces that it has suspended relations with Gambia because that country has resumed diplomatic relations with Taiwan.

July 27—Officials report that Wu has admitted to falsifying evidence in his television documentaries about the Chinese prison system.

COLOMBIA

June 9—Gilberto Rodriguez Orejuela, 1 of the leaders of the Cali drug cartel, is arrested in Cali.

June 10—Thirty people are killed and more than 200 injured when a bomb explodes in Medellín; no group claims responsibility for the attack.

CROATIA

April 11—The UN dismisses a Russian general from the UN force in Croatia after accusing him of collaborating with Croatian Serbs to allow the sale of UN fuel to rebel forces and the smuggling of weapons from Serbia into Serb-held Croatia.

May 1—More than 2,500 Croatian government troops cross UN cease-fire lines into the Croatian Serb-held western Slavonia area; Croatian Serb soldiers take 115 UN peacekeepers hostage in Slavonia and shell the towns of Karlovac and Sisak.

May 2—Croatian Serbs shell Zagreb, the capital of Croatia, killing 5 civilians and wounding 121.

May 4—Croatian government forces capture the town of Okucani; between 350 and 450 Serbs have been killed in fighting in western Slavonia this week.

CUBA

(See US)

CYPRUS

June 14—Western diplomats and bankers reveal that Cyprus's offshore banking system is being exploited by Serbian and Russian companies hoping to circumvent UN sanctions; Serbian companies are buying oil and shipping it to Serbia, a weekly trade deal worth nearly \$10 million, and Russian racketeers are selling arms to Iraq and laundering the profits through companies they have set up in Cyprus.

DOMINICA

June 12—Prime Minister Eugenia Charles's Freedom Party is defeated in today's elections by the United Workers' Party; Eugenia has been in office for 15 years.

EGYPT

(See also Israel ; Libya)

June 9—At a meeting in Cairo, President Hosni Mubarak and Israeli Prime Minister Yitzhak Rabin declare an end to months of diplomatic uneasiness between their 2 countries; Mubarak had been upset over Israel's failure to sign the Nuclear Nonproliferation Treaty and Israel's desire to expropriate Arab land in East Jerusalem.

June 26—Mubarak escapes an assassination attempt in Addis Ababa, Ethiopia, where he is attending a meeting of the Organization of African Unity. Two of the assailants and 2 Ethiopian police officers are killed in the attack.

In a speech today, Mubarak calls on the Sudanese people to overthrow their government; Mubarak has said the Sudanese

government was responsible for the failed attempt on his life; the Sudanese government denies plotting the attack.

July 1—Three of the 5 gunmen who escaped after failing to assassinate Egyptian President Hosni Mubarak are killed in a shootout in Addis Ababa with Ethiopian security forces.

July 4—The militant Islamic Group claims responsibility for the attempted assassination of Mubarak on June 26. The organization demands that Mubarak release thousands of jailed Islamic militants, suspend emergency security laws, and institute sharia (Islamic law) in exchange for a halt to its attacks against government officials.

July 19—In the past 2 days the government has arrested 15 leaders of the Muslim Brotherhood; those arrested were accused of illegal contacts with the Sudanese government.

ETHIOPIA

(See also *Egypt*)

May 8—Preliminary results from yesterday's 1st multiparty election show that President Meles Zenawi's Ethiopian People's Revolutionary Democratic Front won most of the popular vote.

FRANCE

(See also *Bosnia and Herzegovina*; *Iran*)

May 7—Paris Mayor Jacques Chirac is elected president; Chirac, a member of the Conservative Party, won 52% of the vote; he will succeed President François Mitterrand, a Socialist who has been in power since 1980.

May 17—Alain Juppé is named prime minister.

June 16—A French antiterrorism court hands out life sentences to 6 Iranians for their involvement in the 1991 assassination of exiled Prime Minister Shahpour Bakhtiar in Paris.

June 17—Chirac announces that France will resume nuclear testing in the South Pacific.

June 18—Members of the rightist National Front win several mayoral elections in cities across southern France, including Nice and Toulon.

June 20—Police arrest 140 people suspected of supporting Islamic militants in Algeria and Tunisia.

July 9—The navy boards the Greenpeace ship *Rainbow Warrior II*; all protesters publicly opposing France's nuclear tests on the South Pacific atoll of Mururoa are removed from the ship, which is just miles off the atoll.

July 25—A bomb explodes on a commuter train in the center of Paris, killing 7 people and injuring 80.

July 29—Police say that they believe that Algeria's Armed Islamic Group is responsible for the Paris bombing.

July 31—Parliament approves a constitutional amendment giving the president the right to call referendums on a variety of issues, including education policy and taxes.

GAMBIA

(See *China*)

GERMANY

(See *China*; *China*; *Iran*)

GUATEMALA

(See also *US*)

April 3—A bomb explodes 2 blocks from the Presidential Palace during a visit by UN Secretary General Boutros Boutros-Ghali, killing the man carrying the bomb; no one claims responsibility for the bombing.

HAITI

April 7—The US Coast Guard intercepts a boat carrying 128 Haitians and 12 Dominicans off the coast of Florida and returns them to Port-au-Prince; this is the 1st time Haitian refugees have been repatriated since October 1994.

April 22—Haiti announces that it will not renew a repatriation agreement with the US that had allowed the US Coast Guard to pick up Haitian immigrants in international waters and return them to Haiti; the treaty, signed between President Jean-Claude Duvalier and the US in 1981, expired last October.

INDIA

May 11—A siege by the army of Muslim militants in a Kashmir shrine ends today after the burning of the shrine; it is unclear which side set the blaze. At least 20 people are dead. Muslim separatists have been waging a 5-year war to create an independent Muslim state in Kashmir.

June 1—The *Far Eastern Economic Review* reports that US Navy forces held joint training exercises with Indian forces in mid-May; these are the 2d set of exercises to be held since the US and India agreed to hold joint exercises in January.

July 10—The *New York Times* reports the escape of an American kidnapped by Muslim rebels fighting for control of Kashmir; 1 American and 4 Europeans remain held hostage by rebels belonging to the separatist group al-Faran; the rebels say they will kill the hostages if Indian forces do not free 21 jailed Kashmiri guerrillas.

July 21—Al-Faran reports that 2 of the kidnapped foreigners were wounded today in a gun battle between the militants and Indian forces in Kashmir; an Indian government official denies the fighting occurred.

IRAN

(See also *France*; *Russia*; *US*)

April 4—The Organization for Human Rights and Fundamental Freedom for Iran reports that security forces killed more than 100 people protesting high utility rates in Teheran today.

April 19—President Hashemi Rafsanjani ends a 3-day visit to India; talks centered on regional security and economic cooperation.

May 4—The government announces that it will not store spent nuclear fuel rods if a \$1 billion contract with Russia to build as many as 4 nuclear power plants is completed; critics of the deal have said the spent rods would help Iran develop nuclear weapons.

May 16—The *New York Times* reports that Poland will sell 100 tanks to Iran.

June 9—Japan, 1 of Iran's largest oil purchasers, refuses to join a US embargo on trade with Iran; Britain, France, and Germany also have refused.

IRAQ

(See also *Intl*, *UN*; *Turkey*; *Cyprus*)

June 7—An Iraqi court refuses to overturn the 8-year prison sentences of 2 Americans, William Barloon and David Daliberti, who have been convicted of illegally entering Iraqi territory from Kuwait on March 13.

June 14—US officials say that Sunni Muslims in the elite Iraqi Republican Guard recently attempted a mutiny against President Saddam Hussein; the coup attempt was in response to the mid-May execution of 12 Sunni clansmen charged with plotting another coup.

June 19—The *New York Times* reports that Iraqi security forces

have executed nearly 150 soldiers and officers in an attempt to purge the army unit that had rebelled against Hussein last week.

June 20—UN official Rolf Ekeus, in charge of monitoring the program for destroying weapons of mass destruction in Iraq, reveals that the Iraqi biological warfare program is larger than earlier estimated; he says that 17 tons of material used in the weapons remains unaccounted for. Iraq's cooperation in dismantling its ballistic missiles and chemical and biological weapons is a condition for lifting the oil embargo imposed by the UN after the Iraqi invasion of Kuwait in 1990.

July 5—After 4 years of repeated denials, Iraq finally admits that it produced offensive biological weapons in 1989-1990 before the Persian Gulf War. Though Iraq claims it destroyed the biological weapons by October 1990, many diplomats and officials are skeptical.

July 7—More than 3,000 Iraqi Kurds in northern Iraq flee their villages after Turkish forces bomb the area in an attempt to destroy bases used by Turkish Kurdish rebels.

July 11—The UN Security Council reviews the trade embargo imposed on Iraq today and declines to lift the economic sanctions it imposed in August 1990. The Security Council expresses "unanimous doubt" that Iraq had been truthful about its program to develop biological weapons.

July 16—President Hussein pardons Barloon and Daliberti; the pardon comes after US House of Representatives member Bill Richardson (D-N.M.), acting as a private citizen, met with Hussein.

July 19—After earlier refusals, Iraq agrees to destroy equipment used to manufacture missile engines.

ISRAEL

(See also *Egypt; Jordan; Lebanon; Palestinian National Authority*)

April 5—Israel launches its first spy satellite.

April 16—Israeli security forces kill 3 members of the militant Islamic group Hamas in an ambush in Hebron in the Israeli-occupied West Bank.

May 8—The government releases 250 jailed Palestinians as part of a goodwill move; about 6,000 Palestinians are being held in Israeli jails.

June 2—In Hebron, Israeli soldiers kill a member of Hamas who was a suspect in the killing of several Israelis in the West Bank.

June 5—The Israeli army says it has arrested 45 Hamas members on charges they were planning to detonate a car bomb in Jerusalem and hijack a bus to the Egyptian border.

June 12—Israeli soldiers wound 12 Palestinians protesting the demolition of an illegally built Arab-owned house in East Jerusalem.

June 14—Israeli soldiers kill 2 Palestinians when they tried to help another Palestinian cross the Israeli-controlled border between Gaza and Egypt; the 2 are believed to be members of Palestine Liberation Organization (PLO) chairman Yasir Arafat's personal security force.

June 18—Prime Minister Yitzhak Rabin announces that a full agreement between Israel and the PLO on the expansion of Palestinian self-rule in the West Bank will not be reached by July 1 as called for in the 1993 Israeli-PLO peace accord; Rabin says differences over an Israeli troop pullout and security concerns for Jewish settlements are among the reasons for the delay.

Former Foreign Minister David Levy quits the Likud Party to lead a new party called "New Way," after Likud adopts a system of primaries favorable to his rival, Likud leader Benjamin Netanyahu.

June 22—The Islamic Holy War accuses Israel's secret service of today's assassination of Mahmoud al-Khawaja, a top leader in the militant group.

June 25—In Nablus in the West Bank, Israeli troops kill 2 Palestinians and wound 35 others during a protest demanding the release of Palestinian prisoners from Israeli prisons.

June 29—Three days of peace talks in Washington between Israel and Syria end today; military commanders from both countries agree that there is a need to establish a demilitarized zone around the Golan Heights.

July 1—Israeli Foreign Minister Shimon Peres and PLO chairman Arafat fail to reach agreement on expanded Palestinian self-rule, missing the July 1 target deadline; the 2 cannot agree on guidelines for Israeli army withdrawals from West Bank towns and security arrangements for 130,000 Jewish settlers in the area.

July 9—Israeli troops defuse a large bomb found near an Israeli settlement, Ganei Tal, in the Gaza Strip. Settlers believe Palestinian guerrillas are responsible for the bomb.

July 18—The Israeli army says that 2 Israeli hikers were killed by Palestinian militants in the West Bank; the Popular Front for the Liberation of Palestine, which opposes the self-rule accord between Israel and the PLO, takes responsibility for the attack.

July 24—During the morning rush hour, a Palestinian suicide bomber kills 5 passengers and wounds 32 others on a bus in Tel Aviv; after the blast, Rabin and Arafat vow to continue peace talks.

July 26—In the Knesset, the governing coalition defeats a bill that would have blocked a return of the Golan Heights to Syria.

July 30—The government requests the extradition of Mousa Mohamed Abu Marzook, a senior Hamas leader who was taken into custody by US officials in New York on July 25. Israeli security officials believe Marzook has been directly involved in planning terrorist attacks on Israelis.

July 31—A weeklong standoff between Jewish settlers and Palestinians over disputed hilltops in the West Bank near the town of Efrat ends when Israeli police and soldiers evict hundreds of Jewish settlers and arrest 213; the settlers had hoped to establish dozens of encampments to block the agreement to extend Palestinian self-rule to most of the West Bank.

ITALY

July 4—A judge orders 21 executives associated with companies owned by former Prime Minister Silvio Berlusconi to stand trial on corruption charges.

JAPAN

(See also *Iran; US; Korea, North*)

April 9—In elections held today, Yukio Aoshima is elected governor of Tokyo and Knock Yokoyama governor of Osaka. The new governors, who are both popular television personalities, have no party affiliations.

April 13—Police officers conduct searches and set up roadblocks across the country in an effort to capture leaders of the Aum Shinrikyo religious cult; the cult is believed responsible for a March 20 nerve gas attack in a Tokyo subway that killed 8 people.

April 19—Unidentified gas fumes in Yokohama's main railroad station send more than 300 people to area hospitals; no one claims responsibility.

April 20—Police arrest Kiyode Hayakawa, who is believed to be second in command of the Aum Shinrikyo cult.

April 21—In Yokohama, 24 people are hospitalized after suspect fumes spread through a department store in the city.

April 23—Hideo Murai, a top Aum Shinrikyo official, is stabbed to death outside the sect's headquarters; the attacker is a South Korean national who belongs to the rightist political group Mie Prefecture.

April 28—The army announces that 2 sergeants have admitted to being secret members of the Aum Shinrikyo religious sect; the sergeants are thought to have warned Aum leaders of impending police raids on their headquarters.

May 5—Police discover bags of partially burning toxic chemicals at Tokyo's Shinjuku station; the police say the chemicals could have killed 20,000 people had they become fully ignited.

May 16—Shoko Asahara, the Aum Shinrikyo sect leader, is arrested and charged with responsibility for the March Tokyo gas attack.

May 22—Officials announce a plan to cut economic aid to China in protest of Beijing's recent underground nuclear test.

June 6—Parliament agrees on a resolution expressing remorse for Japan's conduct during World War II.

Shoko Asahara and 6 other cult leaders are charged with murder in the March nerve gas attack in Tokyo's subway system.

June 14—The government announces that it has established a fund to pay compensation to women forced into brothels for the Japanese military during World War II.

June 28—Officials reach an agreement with the US to settle a series of trade issues; the agreement requires Japan to increase its purchases of auto parts from the US and encourage the sale of US autos in Japan; the US had threatened a 100% tariff on Japanese luxury cars if an agreement was not reached.

JORDAN

July 20—A parliamentary panel that oversees legal and financial matters endorses draft legislation to end Jordanian participation in the 48-year-old Arab League trade boycott of Israel. Egypt was the 1st Arab nation to end participation in the boycott in 1979; Jordan would be the 2d.

KAZAKHSTAN

April 4—US Secretary of Defense William Perry arrives for a visit; Perry is expected to check on the country's progress on dismantling its nuclear weapons; Kazakhstan has agreed to remove all nuclear weapons from its territory by 1996.

April 29—In a referendum held today, more than 95% of those voting approve an extension of President Nursultan Nazarbayev's term of office until 2000; Nazarbayev, who dismissed parliament in March, was slated to face presidential elections next year.

KENYA

July 28—The British government announces that it is suspending its aid program to Kenya in an effort to hasten political and economic reforms in the country.

KOREA, NORTH

April 21—In talks in Berlin with the US, Japan, and South Korea on North Korea's nuclear research program, North Korea says it will not allow South Korea to provide and finance the installation of 2 light-water nuclear reactors; the talks are suspended; in talks in October, North Korea had agreed to shut down its heavy-water nuclear reactor in return for the light-water reactors furnished by South Korea and shipments of fuel oil for its electrical-generating system.

May 3—The government says that it is placing restrictions on the movement of UN personnel, armistice observers, and journalists across the North-South demarcation line in the demilitarized zone at the Panmunjom truce village; the UN mission that oversees the truce says North Korea cannot make a unilateral change like this.

May 11—Meeting in Seoul, South Korea, the North Korean government agrees to resume talks with the US, Japan, and South Korea on its nuclear program.

June 13—An agreement is reached with the US to accept 2 light-water reactors from a consortium comprising the US, Japan, and South Korea; South Korea will still be responsible for building the plants and financing most of their \$4.5 billion cost.

KOREA, SOUTH

(See also *Korea, North*)

May 12—President Kim Young Sam fires Education Minister Kim Sook He after she makes "negative" remarks about the military; Park Young Shik, a former university chancellor, is named the new minister.

June 27—For the 1st time since 1961 military coup, local elections are held for 5,700 posts that had been filled directly by the president; the opposition Democratic Party and the United Liberal Democratic Party win 10 of the 15 races for governor or mayor in the elections, the remainder going to the ruling Democratic Liberal Party.

July 18—Retired opposition leader Kim Dae Jung announces that he is returning to politics and will form a new political party.

KUWAIT

(See *Intl, UN; Iraq*)

LEBANON

April 25—A suicide car bomber wounds 22 people in an attack on an Israeli troop convoy in Israel's self-declared security zone in southern Lebanon; the Party of God claims responsibility for the bombing.

June 15—Shiite Muslim guerrillas from the Iranian-backed Party of God launch rockets from southern Lebanon into northern Israel; an Israeli retaliatory airstrike wounds 4 people.

June 18—The Party of God claims responsibility for the killing of 3 Israeli soldiers today in southern Lebanon.

LIBERIA

April 11—Unidentified gunmen kill 62 people in an attack on the village of Yosi; ethnic fighting has been raging in the area for 5 years.

LIBYA

April 5—Libyan leader Colonel Muammar Qaddafi announces that he plans to withdraw Libya from the UN and is preparing to send flights of pilgrims to Mecca despite a 1992 UN ban on flights into and out of Libya. Qaddafi, who recently offered to marry his son to US President Bill Clinton's daughter, Chelsea, in order to settle US-Libyan differences, has refused to hand over to the US 2 Muslim militants accused of carrying out the 1988 bombing of a US airliner over Scotland, which resulted in the UN air embargo.

April 18—Egypt and Saudi Arabia refuse to allow Libyan jets to enter their airspace en route to Mecca.

MALAWI

(See *Sudan*)

MALAYSIA

April 25—The ruling National Front coalition led by Prime Minister Mahathir Mohammad wins 162 of the 192 seats in parliament and 10 of the 11 state assemblies in today's elections; the opposition was led by the Democratic Action Party, which won 9 parliamentary seats.

July 6—The *Far Eastern Economic Review* reports that Prime Minister Mahathir has announced that the government plans to build a "rehabilitation center" for the treatment of Muslim apostates and those who have "deviated" from the teachings of Islam.

MEXICO

April 20—Peace talks scheduled to begin today between the government and leaders of the rebel Zapatistas are delayed; government representatives say they will not engage in talks because of a large number of Zapatista sympathizers encamped at the site of the talks.

April 22—Peace talks resume after rebel sympathizers leave the site of the talks.

June 2—The government plans the third-largest round of privatization since the mid-1980s. It plans to sell public holdings ranging from satellites and airports to the entire railroad system, and hopes to raise more than \$22 billion in 2 to 3 years.

MOLDOVA

June 17—Major General Valery Yevnevich, the replacement for General Aleksandr Lebed, who resigned earlier this week, leaves Moldova after being trapped in his garrison for days by pro-Lebed Moldovan civilians objecting to his command.

MYANMAR

April 9—According to *The New York Times*, the Burmese military has stepped up military action against the 20,000-strong army of drug lord Khun Sa in response to attacks on military installations in March; dozens of soldiers from both sides have been killed in fighting in the last few weeks.

April 27—More than 1,200 people have fled to Thailand to escape fighting between government forces and Khun Sa's guerrillas.

July 10—The military government releases Daw Aung San Suu Kyi, the Nobel Peace Prize-winning opposition leader, from house arrest; she had been confined to her home for 6 years.

NICARAGUA

June 15—President Violeta Chamorro agrees to accept a constitution written by the National Assembly; the new document will strengthen the legislative branch.

NIGERIA

June 1—Police arrest 3 Campaign for Democracy leaders as part of a political crackdown by General Sani Abacha, the military dictator.

June 5—The government charges 23 people with plotting to overthrow the military government; the 23 face the death penalty if found guilty.

June 6—The pro-democracy group Democratic Alternative calls for the return of its president and other officials who were arrested in a crackdown by the military government. Tensions are mounting in the country as the anniversary of the nullified elections of June 12, 1993, approaches. Moshood Abiola, the assumed winner of those elections, has also been detained.

June 27—Abacha announces that the ban on political activity has been rescinded.

July 12—*The New York Times* reports that the government has secretly convicted and possibly executed 18 military officers and 5 civilians.

PAKISTAN

April 17—Police in Karachi kill Nadeem Riaz, who was suspected of involvement in the March 8 slaying of 2 American consular employees in that city.

May 22—The Mohajir Qaumi Movement, a Muslim opposition group, stages demonstrations in Karachi to protest police abuse and job discrimination; police report 23 people were killed and 40 wounded.

June 5—Six more people are killed in strikes held today by the Mohajir Qaumi Movement.

PALESTINIAN NATIONAL AUTHORITY

(See also *Israel*)

April 2—Eight Palestinians are killed and 30 wounded when a bomb, allegedly under construction by members of the militant Islamic Group Hamas accidentally detonates in Gaza City; Hamas says the bomb was planted by Israeli agents.

April 5—The Palestinian Authority arrests 5 intelligence officers for killing a Palestinian who had been imprisoned for providing information to Israel about the Fatah Hawks, a group of young militants associated with the PLO.

April 9—Six Israelis are killed and 45 wounded in 2 car bombings near Israeli settlements in the Gaza Strip; Hamas and Islamic Holy War take responsibility for the attacks. Palestinian police arrest 100 suspected Muslim militants.

April 10—In a closed session, a new Palestinian court set up by the Authority to deal with Palestinian militants sentences a Hamas member to 15 years in jail for training Palestinian suicide bombers and another to life in prison for planning a January 21 suicide bombing that killed 21 Israelis.

April 16—A military court sentences 2 Hamas militants to 2 years in prison for taking part in an attack on Israeli soldiers last year.

May 14—A Palestinian military court sentences Sayid Abu Musameh, a senior member of Hamas, to 2 years in jail for "seditious" writings.

PERU

April 10—Results from yesterday's elections show that President Alberto Fujimori has won a second term with 64.4% of the vote; his closest rival in a field of 14 candidates, former UN Secretary General Javier Pérez de Cuéllar, received 21.8% of the vote.

PHILIPPINES

(See also *Intl*, *ASEAN*)

April 4—Hundreds of armed Muslim rebels attack the southern city of Ipil; the rebels, part of the Abu Sayyaf group, want to form an independent state on Mindanao Island; 57 people, including 44 civilians, are killed in the raid.

April 7—Government troops and helicopters battle Muslim gunmen in the hills near Ipil today; at least 20 people are killed, including 5 civilians who had been taken hostage by the rebel fighters.

April 17—In Manila, President Fidel Ramos dismisses Foreign Secretary Roberto Romulo; the forced resignation stems from the government's handling of a highly controversial case involving a Filipino maid executed by Singapore in March.

- April 24—The Philippine Commission on Elections prohibits Imelda Marcos, the wife of former President Ferdinand Marcos, from running for a position in the House of Representatives; the Commission says Marcos has not resided in the district of Leyte for the required amount of time.
- June 27—Talks in Brussels between the government and the communist National Democratic Front collapse after the NDF suspends negotiations; the group had demanded the release of 1 of its military commanders.

POLAND

(See *Iran*)

QATAR

- June 27—Crown Prince Hamad bin Khalifa al-Thani forces his father, Emir Khalifa Bin Hamad al-Thani, to leave the country.
- June 28—Five members of the Gulf Cooperation Council, including Saudi Arabia, agree to recognize Sheik Hamad bin Khalifa al-Thani as the new emir.

RUSSIA

(See also *Croatia; Cyprus; Iran*)

- April 3—Government officials say they will proceed with the sale of light-water nuclear reactors to Iran, despite US protests.
- April 22—Russian jets launch air strikes on the city of Bamut, which is still held by rebel Chechen forces. Yesterday, Prime Minister Viktor Chernomyrdin offered to hold talks with Chechen separatists.
- April 25—President Boris Yeltsin orders a 3-week cease-fire in Chechnya; the cease-fire comes while Western leaders visit Moscow to mark the end of World War II.
- April 29—Chechen President Dzhokhar Dudayev denounces Yeltsin's call for a cease-fire; he says his forces will continue to fight Russian troops.
- May 10—Yeltsin and US President Bill Clinton end a week-long summit meeting in Moscow.
- May 22—Government officials report that Chechen separatists have agreed to hold peace talks; the talks are sponsored by the Organization for Security and Cooperation in Europe.
- May 26—President Yeltsin signs an agreement with Belarus President Alexandre Lukashenko, that removes border posts between the 2 countries.
- June 1—Russia announces it will activate its membership in NATO's Partnership for Peace program, which will make Russia an associate member of NATO for an indefinite trial period; Russia will suspend its membership should NATO extend its membership to eastern European countries bordering Russia.
- June 9—Russia and Ukraine sign an agreement to end contention over the command of the Russian-financed Black Sea fleet based in Sevastopol in Ukraine. The countries will split the fleet: Russia will purchase most of Ukraine's half of the original 635-vessel fleet, and will pay rent for the use of the Sevastopol base.
- June 14—Yeltsin accepts the resignation of Army General Aleksandr Lebed. Lebed, a vocal critic of Yeltsin's actions in Chechnya, resigned after initially refusing to leave his command in Moldova so that he might prevent "another Chechnya." Yeltsin had previously rejected Lebed's resignation because it would allow Lebed to run for president in 1996.
- Chechen rebels attack Budyonnovsk, a city near the Chechen border, killing 20 civilians and 17 police officers and taking over a hospital building. The rebels threaten to kill the

hostages in the hospital unless Russia ceases hostilities in Chechnya.

- June 17—Russian troops attack the hospital where Chechen rebels are holed up with 2,000 hostages; 2 assaults on the building result in the release of some hostages. About 120 people have died since the rebels entered the town.
- June 20—Chechen rebels release all their hostages as they leave Budyonnovsk following a promise of a 3-day cease-fire from Prime Minister Chernomyrdin.
- June 21—The Duma approves a vote of no-confidence in Yeltsin and his government by a vote of 241 to 72 with 20 abstentions. "I have no doubt that this vote expresses the real attitude in Russia about the war against the Chechen people. We have a civil war and we want it to stop," says liberal leader Grigory Yavlinsky. Yeltsin can ignore this vote; if a 2nd no-confidence is passed, he must either dismiss Parliament and call for new elections or dismiss his government.
- July 1—A second no-confidence vote in the Yeltsin government fails to pass in the Duma; the vote is 193 to 117, with 48 abstentions.
- July 3—Chechen leader Dudayev offers to resign only if Chechnya is granted independence; Russian negotiators had offered to dismiss the Moscow-backed provisional government in return for Dudayev's resignation.
- July 4—Yeltsin issues a decree to station Russian troops in Chechnya permanently.
- July 6—Yeltsin names Colonel General Anatoly Kulikov, the Russian military commander in Chechnya, the new interior minister.
- July 7—Chechen delegates break off peace negotiations after 7 civilians are killed on their farm near Grozny by men in Russian military uniforms.
- July 11—Yeltsin is admitted to a hospital in Moscow for chest pains, and is diagnosed with ischemia; he is expected to stay in the hospital for a week. Last December, he entered a hospital for 2 weeks, allegedly for a nose operation.
- July 14—Yeltsin, still hospitalized, signs a decree making December 17 the date for parliamentary elections.
- July 24—Yeltsin leaves the hospital and enters a sanatorium for further treatment; he is expected to be to remain there for at least another week.

RWANDA

(See also *Intl, UN; Zaire*)

- April 6—In Kigali, the government begins the 1st trials associated with the massacre of as many as 500,000 minority Tutsi people by Hutu, the majority ethnic group in the country last April and May.
- April 12—Unidentified gunmen kill 31 Hutus at a refugee camp near Rwanda's eastern border.
- April 19—Soldiers evict 100,000 Hutu from Kibeho, the country's largest refugee camp. They were evicted in an attempt by the government to close most of the camps.
- April 20—Soldiers open fire at Kibeho. Estimates on numbers killed vary from 200 to 2,000. The UN reports that armed Hutu forces may have sparked the killings.
- May 1—Protesters marched through Kigali to condemn the UN for its accusation that the Rwandan government may have massacred as many as 2,000 people at Kibeho refugee camp last month.
- May 8—An international commission is convened in Kigali to investigate last month's massacre of as many as 2,000 Hutu at Kibeho.
- May 9—The Kibeho refugee camp is officially shut down as the remaining 300 Hutu refugees leave in response to a United

Nations request. The UN says the camp had become a health hazard to its inhabitants.

May 30—According to *The New York Times*, the government has asked the UN to lift the arms embargo against the country, saying the reorganization and rearming of Hutu armies in refugee camps in Zaire is evidence of an impending attack. The embargo was originally imposed as a result of last year's massacre.

SAUDI ARABIA

(See Libya; Qatar)

SERBIA

(See also Bosnia and Herzegovina; Cyprus)

June 7—Talks between US Deputy Assistant Secretary of State Robert Frasure and Serbian President Slobodan Milosevic are suspended; the 2 had agreed on a basic framework for discussion but disagreed over how sanctions would be reimposed if Serbia failed to adhere to the rest of the agreement.

SINGAPORE

(See also Philippines)

July 26—The Supreme Court awards Prime Minister Goh Chok Tong, former Prime Minister Lee Kuan Yew, and Lee's son, Deputy Prime Minister Lee Hsien Loong, \$680,000 in damages after it rules that the *International Herald Tribune* defamed the 3 by alleging they had engaged in corrupt activities.

SOMALIA

May 11—The *New York Times* reports renewed fighting between clan militias in the capital city of Mogadishu; the fighting began May 9 over the fate of looted goods at the Mogadishu airport; 13 people are reported dead.

June 12—General Mohammed Farah Aidid is removed as leader of his faction by a joint conference of the United Somali Congress-Somali National Alliance in Mogadishu. Aidid is replaced by his former assistant, Osman Hassan Ali Atto, who calls on the UN and other relief agencies to return and help rebuild the country.

June 19—Aidid names a cabinet after declaring himself president.

SOUTH AFRICA

May 1—Two supporters of the African National Congress are killed outside a stadium in Umlazi by Inkatha Freedom Party members; President Nelson Mandela was addressing a rally in the stadium at the time.

May 13—Rescue workers retrieve the last of the 104 victims from the Vaal Reefs Mine. The workers were killed on May 11 when a 12-ton vehicle inexplicably collided with a fully loaded elevator of workers.

June 6—In its 1st ruling, the newly formed Constitutional Court unanimously finds that the death penalty unconstitutional under South African law; the court was recently formed as an equal partner of the executive and legislative branches.

June 14—President Mandela proposes changes that would give the central government effective control over the traditional chiefs in rural parts of the country. Under the plan, the government would pay stipends to local chiefs. Chief Mangosuthu Buthelezi, the minister of the interior and Mandela's chief political rival, opposes the plan because it will undercut his local power base.

SPAIN

(See also Canada)

April 19—The government suspects the Basque separatist group Basque Homeland and Freedom (ETA) of detonating a bomb today underneath the car of José Maria Aznar, the leader of the conservative opposition People's Party; Aznar escapes unharmed; 12 others are wounded.

July 29—An investigative magistrate, Baltazar Garzón, asks the Supreme Court to investigate Prime Minister Felipe González for alleged membership in the death squads that were responsible for the killings of Basque separatists in the 1980s.

SRI LANKA

April 14—In an attempt to end the 13-year civil war, President Chandrika Bandaranaike Kumaratunga makes several concessions to the Tamil Tigers, a separatist guerrilla group representing the Hindu Tamils that is fighting the Sinhalese Buddhist majority; a cease-fire has been in effect for 3 months.

April 19—Tamil guerrillas attack a government naval base, sinking 2 navy gunboats and killing 12 sailors. The guerrillas had issued a letter earlier this month in which they said they would no longer honor the cease-fire if further concessions were not granted.

May 22—In a televised speech, President Kumaratunga criticizes the Tamil Tigers for unilaterally breaking the cease-fire; she says the government is suspending peace talks.

July 10—Government forces launch an offensive in the Jaffna peninsula in an attempt to force the Tamil Tigers to restart negotiations.

SUDAN

(See also Egypt)

June 11—In Malawi, President Omar Hassan al-Bashir of Sudan and President Yoweri Museveni of Uganda agree to reestablish diplomatic ties; relations had been broken after both countries had accused the other of harboring rebels; President Bakili Muluzi of Malawi served as mediator during the talks.

SYRIA

(See Israel)

TAIWAN

(See also China; US)

April 8—In a speech, President Lee Teng-hui calls on China to publicly renounce "the use of force" and threatening military moves in order to allow formal negotiations to begin "to put an end to the state of hostility" between Taiwan and China.

July 23—Military authorities report that China fired 4 test missiles near its coast; 2 of the missiles were fired during the past 2 days.

TAJIKISTAN

April 20—The *Far Eastern Economic Review* reports that at least 23 Russian troops were killed and 50 wounded recently in clashes with Tajik rebels based in Afghanistan; the Russian troops are stationed in Tajikistan as part of a peacekeeping force that had been requested by the Tajik government.

TANZANIA

(See Burundi)

THAILAND

(See also *Myanmar*)

May 19—Parliament collapses after a scandal concerning land reform; Prime Minister Chuan Leekpai calls for new elections.

May 31—Vietnamese patrol boats fire on 6 Thai fishing boats in the Gulf of Thailand in waters claimed by both Thailand and Vietnam; Thai patrol boats intervene, and in the ensuing firefight 1 Thai and 2 Vietnamese are killed.

July 2—The Chart Thai Party wins elections held today, taking 92 of 391 parliamentary seats; the Democrats and the New Aspiration parties followed with 86 and 57 seats respectively; Banharn Silpa-archa of the Chart Thai is to be named prime minister.

TURKEY

(See also *Iraq*)

May 4—Defense Minister Mehmet Golhan announces that the Turkish army has completely withdrawn from northern Iraq; the 35,000 troops entered Iraq on March 20 to neutralize Kurdish separatist bases there.

July 23—Parliament approves 15 constitutional amendments that restore a number of civil liberties that had been restricted after the 1980 military takeover.

UKRAINE

(See also *Russia; US*)

April 1—President Leonid Kuchma puts local secessionist governments in the Crimean Peninsula under direct control.

April 4—Parliament ousts the Cabinet in a vote of no confidence.

June 8—Kuchma appoints Yevgeny Marchuk, a former KGB officer, as prime minister. The appointment is part of an accord with Parliament that gives Kuchma control over government appointments and local councils in return for a cancellation of a national plebiscite on confidence in the government and a national referendum on a new constitution to be held later this year.

July 3—Kuchma reorganizes his cabinet, the Interior Ministry, and the state security agency; last April Parliament voted to force such a reorganization.

UNITED KINGDOM

Great Britain

(See also *Bosnia and Herzegovina; Iran; Kenya*)

April 12—The government says it will remove 400 more troops from Northern Ireland within 2 weeks; 18,000 troops still remain.

April 24—The government announces it will upgrade talks with Sinn Fein, the political arm of the Irish Republican Army, to the ministerial level; previous exploratory talks were conducted only at the civil servant level.

May 10—The government meets formally with the leaders of Sinn Fein; it is the 1st time in 23 years that the British government has agreed to hold formal negotiations with Sinn Fein.

June 23—Foreign Secretary Douglas Hurd announces his impending resignation; Defense Secretary Malcom Rifkin is expected to take his place.

July 4—John Major is reelected as leader of the Conservative Party; Major received 218 votes while his opponent, John Redwood, received 89.

Hong Kong

May 20—Police fire tear gas to quell a demonstration at a refugee camp that erupted after they tried to remove 1,500 Vietnamese "boat people" for deportation; at least 20,000 Vietnamese are being held in Hong Kong.

Northern Ireland

(See *Great Britain*)

UNITED STATES

(See also *Intl, UN; Bosnia and Herzegovina; China; Haiti; India; Iran; Iraq; Japan; Korea, North; Libya; Pakistan; Russia; Vietnam*)

April 11—The CIA requests \$19 million from Congress for covert operations and propaganda campaigns in Iran and Iraq next year.

April 12—A federal district judge in Boston orders a former Guatemalan general, Héctor Gramajo, to pay \$47.5 million in damages to an American nun and 8 Guatemalans tortured during his tenure as defense minister in the 1980s. Gramajo was sued in 1991 under the Alien Tort Claims Act, which allows citizens and foreigners to sue for violations of international laws while the defendant is in the US; Gramajo was in the US earning a degree in public administration from Harvard University.

April 19—A car bomb carrying more than 1,000 pounds of explosives is detonated outside a federal office building in Oklahoma City, leveling much of the structure; nearly 300 of the 550 people at work in the building are unaccounted for. No one has taken responsibility for the attack; it is believed that the bombing may be linked to the 2d anniversary of the destruction of the Branch Davidian compound in Waco, Texas, in which more than 70 people died in a fire following an FBI attack on the compound.

April 21—Timothy McVeigh, an Army veteran and member of a right-wing militia, is arrested as a suspect in the April 19 bombing; at least 167 people are feared dead in the attack.

April 30—The government announces that all trade will be prohibited with Iran in 30 days; the US accounts for 20% of Iran's oil exports.

May 2—The government announces that after admitting the 21,000 refugees now held at Guantánamo Bay Naval Station in Cuba, it will begin to automatically repatriate Cuban boat people.

May 16—The US announces that it will begin charging a 100% tariff on 13 luxury Japanese cars May 20 unless Japan allows US cars and auto parts to enter the Japanese car market; the tariff will be lifted if the 2 countries reach an agreement by June 28.

June 8—Federal authorities arrest 3 men on New York's Long Island for smuggling 8 tons of zirconium, a nonradioactive material used in nuclear fission, from Ukraine and offering to sell it to the highest foreign bidder.

June 9—The president of Taiwan, Lee Teng-hui, arrives in the United States today on a private visit to Cornell University, his alma mater.

July 12—President Bill Clinton restores full diplomatic relations with Vietnam, 20 years after they were severed.

July 25—Immigration officials detain Mousa Mohamed Abu Marzook after he arrives in New York City; Marzook is believed to be the top political leader of the militant Islamic group Hamas.

July 26—The Senate votes 69 to 29 to lift the arms embargo on Bosnia; Clinton has threatened to veto the bill.

VIETNAM

(See Intl, ASEAN; Malaysia; Thailand; UK, Hong Kong; US)

ZAIRE

April 28—Parliament asks the government to return more than 1 million Rwandan refugees living in Zaire; the refugees fled to Zaire after fighting broke out between Tutsis and Hutus in Rwanda last year.

May 10—Scientists at the World Health Organization and the United States Centers for Disease Control and Prevention have identified a virus sweeping Kikwit, Zaire, as the Ebola virus, which has no cure; 56 people have died from the virus over the

last month, according to *The New York Times*.

May 20—The government officially lifts the quarantine of Kikwit.

July 29—*The New York Times* reports that 8 protesters may have been killed today when demonstrations took place in response to the announcement by the government that the transition to democracy will be postponed for 2 more years.

ZIMBABWE

April 9—In elections held yesterday and today, President Robert Mugabe's Zimbabwe African National Union-Patriotic Front takes 63 of the 65 parliamentary seats contested. ■

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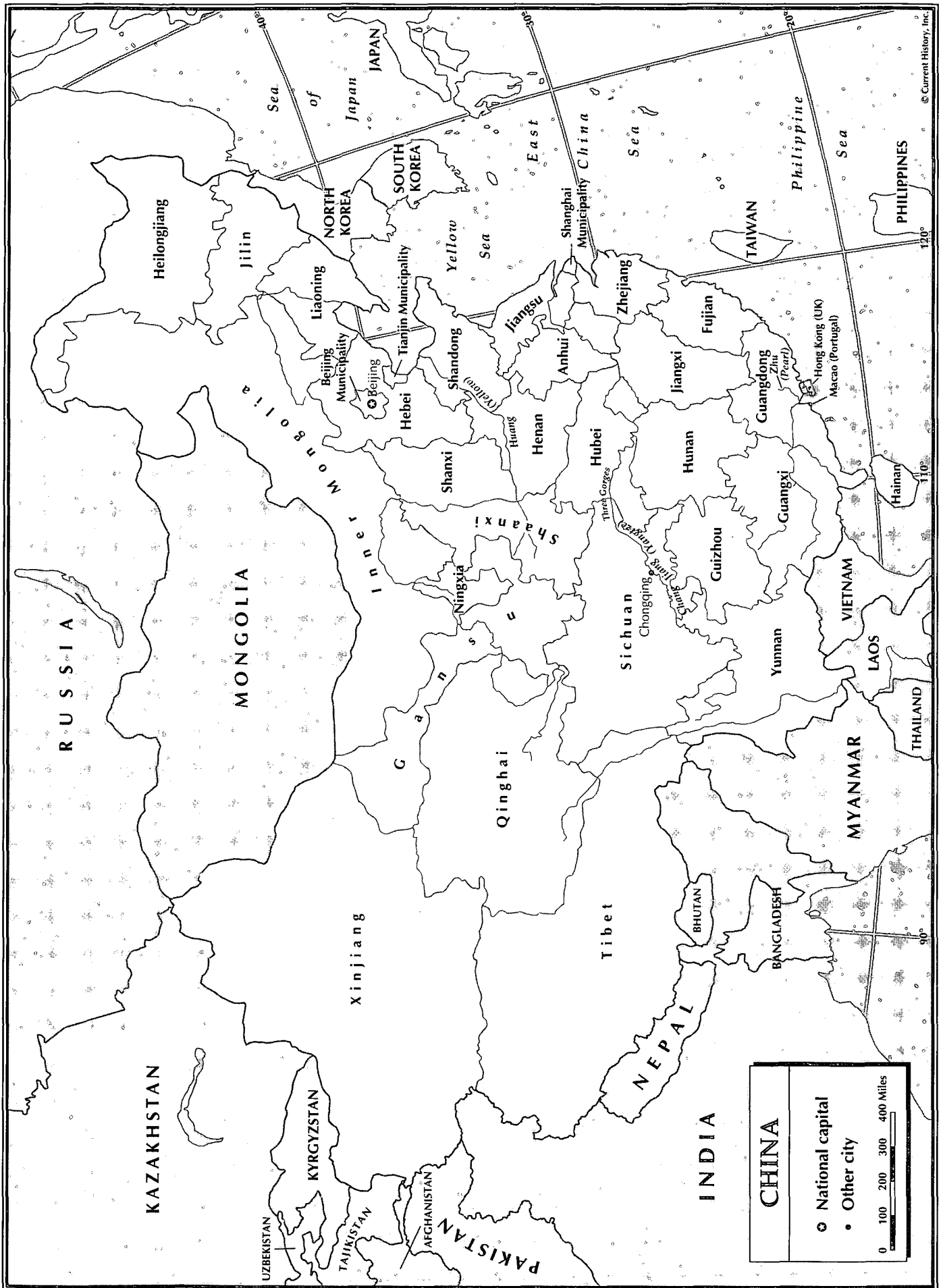
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